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# INDUSTRIAL ORGANIZATION

DEVELOPMENTS AND PROSPECTS

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ETC.



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to

G. J. NICKSON



## PREFACE

THIS book is based upon a series of lectures delivered at Cambridge University in the autumn of 1922 at the instance of the Board of Economics. It is an attempt to gather in convenient form what is really a mass of information on various recent developments of industrial organization throughout the world. In so far as it draws conclusions those conclusions are comparative rather than definitive. It is not the object of the study to build up any theory of industrial organization. The last chapters of the book present a summary of the direction of the main tendencies so far as it is possible to summarize them, but while that summary includes some conjecture, the conjecture is both tentative and hesitant. The author ventures to offer his work to all men and women of goodwill who believe that common effort in industry will yet evolve a conception of human relationship in work of which, so far, the world has not been given a definite vision.

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# INDUSTRIAL ORGANIZATION

## DEVELOPMENTS AND PROSPECTS

### CHAPTER I

#### THE ULTIMATE ORGANIZATION

If we are to study the recent developments of industrial organization there are three ways in which we may proceed. We may take the individual industry as the object of our study and set to work by comparing various types of organization in individual industries, attempting afterwards to discover some connecting thread or general tendency. We may adopt a second course and regard the individual industry as being in itself insignificant, and on that assumption we may set out to discover to what extent the national or the local organization of industry has been attempted, or to what extent the national or the local organization of industry seems to be inevitable. There is the third course, and this seems to be more promising. It sets out by an examination of individual industries to discover what processes of organization are in operation, viewing them from the point of view of the possibility of an ultimate organization on the local or the national plane. Sometimes it may happen that while industries are essentially individualistic and free from State or nationalized control, there is a tendency in the varied organizations which seems to point to some corporate structure, national or regional, as the ultimate organization. This is least evident in the United States, though we shall find running through a remarkably varied assortment of types of industrial

organization in individual industries a sense of incompleteness, a lack of co-ordination, which make a mute demand for some higher or wider organization. Neither has that demand always been mute ; it has been articulated in legislatures like that of Wisconsin, where it was declared that no voluntary adaptation of industrial structure to include some representation of the workers could be effective unless it were universally prescribed by State enactment. In Manitoba there is a Joint Council of Industry which has juridical powers and inclusive inquisitorial powers, but there is no such authoritative body in the United States. This need for a dominant organization is a little more evident in France, where the spirit of the French Revolution still affects industrial structure and has inspired the paternalism which is the main characteristic of the control of industry. It has demanded legislation, and has succeeded in the demand, whereby there may be a representation of workpeople in the control of limited liability companies. It has evolved district councils for industry generally and these have been astonishingly successful in conciliation and arbitration. The best proof of this success is to be found in the fact that the councils have been long-lived and have weathered many a storm. It has rendered profit-sharing more successful in France than in any other country. France is given far too little credit for her pioneer work in facing the industrial problems which torment the world to-day. As we shall see later on, something not unlike a District Council system, to which it has been said that the Whitley system is leading us, has long been in operation in France. Mirabeau argued in favour of an occupational franchise ; Saint Simon and Proudhon and Benoist saw the coming day, as they said, when an Economic Parliament, focusing its attention upon trade and industry side by side with a parliament dealing with the other aspects of citizenship, would be a normal element in representative government. In England there is the delightful ambiguity which we are

accustomed to find. The legislature appoints a committee to consider industrial problems. That committee suggests an industrial structure with three grades, the Works Committee, the District Committee, the National Committee. At that point it halts. There are curious gaps ; the central question of the relationship of the State to these national committees is not settled. There is a clear conception of Industrial Courts, largely judicial in character and in method, and far removed from the idea of a functional Industrial Parliament founded for frank and open discussion. The critics may suggest the decay of the Parliamentary system on the old-fashioned political lines, rather remote from the actual day-by-day life of the people, and they may point out that the process of legislation may content itself with conceptions of political liberty rather than deal with actualities of industrial relationship, leaving that field of human action to administration rather than to legislation. In theory the industries are to govern themselves, with supply and demand as their guardian angels, and with such legislative interferences in the way of the removal of abuses as exemplify, if they do not prove, the rule that legislative interference in the conduct of industry must be a minimum. In theory there is a national system of mutual discussion, corporate bargaining between organizations of employers on the one hand and organized labour on the other ; but there is no suggestion of sharing control, and even where the workers are taken into the fullest confidence the control still remains with the management. There are some who think that this method of discussion will evolve some frankly-recognized method of mutual control in which the workers corporately will accept greater responsibility and that profit-sharing will only be possible, on a sound basis, when such a system of joint control has been developed. As it stands, there are few evidences of such a scheme being evolved. The utmost that can be said for the present developments is that they have brought with them an

improved personal relationship in which the motives and intentions of the management are more clearly understood by the workers, and on the ground of this clearer understanding are more attractive of the loyalty and the support of the workers. Even this development has not proceeded to include various industries. It has expanded when the individual industries form themselves into groups, as the railways have done. It has not yet indicated for groups of industries on the national or the district plane any organization other than that which is produced by the play of so-called natural forces.

To say this is not to find fault. Our mission is the mission of the investigator; no more, no less. Those who seek propaganda must seek it elsewhere. There is force in Mr. George A. Greenwood's vivid phrase in his study of industrial conditions: "The anarchy of England persists where the order and regimentation of Germany fails. And he would be a fatalist indeed who declined to see in this phenomenon some amount of encouragement for England." Yet anarchy in industry, or in connection with industry, is not pleasant to contemplate. If it is wise for the Government to encourage the organization of industries on a basis of frank discussion, so that contributing agents may have equal opportunities of articulating their demands, and equal opportunities of offering their skill and insight and experience to the task of general control, it is not easy to see why such an industrial structure should raise itself to the sky, having no coping-stone. If anarchy is a beautiful thing on the national plane it seems odd that close organization is desirable in the individual industry and not in the district or locality. Probably at the root of what may seem to be an illogical arrest of thought there is a fear of bureaucracy or socialism or nationalized control which, in itself, is not unwholesome. So we may say that the attempts at the organization of industry are more uniform and consistent in England than they are in the United States, that in respect of what we

may call the "machinery" of organization they are more democratic than they are in France, yet we must add that in England the very consistency and uniformity of such attempts at organization only make more evident the appearance of an unfinished structure. The very symmetry of the Whitley system seems to indicate the need for a further symmetry. That may seem to some critics to be a sound reason for distrusting the Whitley system. It is sufficient to say that the conception of politics which has come down to us as safeguarding the public welfare, with the smallest possible interference with the earning of livelihoods or with the economic nexus between man and man, may have been severely shaken by the councils for individual industries which the Whitley system has evolved. To say this is not to meditate a Soviet system, a cool handing-over of industrial control to committees, largely appointed by interested parties and restricted to directly interested parties. Rather it is to say that the State as a whole will need to take some interest and some share in the direction of the work which falls to industrial organizations. We say "the State as a whole," but this does not mean that the State will evolve one controlling authority for the whole country. Years ago it was evident that the Church could not be permitted to be an *Imperium in Imperio*. It is equally true of organized industry. Yet while we indicate a claim for some recognition of the need for an organized direction of industry, the time for the separate organization of the sum total of industry is afar off in the life of Western nations. Guild Socialism has been checked in its advance because no one has been able to see a method of giving the consumer some authoritative control over industry without transferring the work of parliament from political to economic interests. Apparently we are all agreed that for the play of economic forces a political parliament must only keep the ring. How long we shall remain of that opinion is another matter.

It is quite possible that English and American and French ideas on this subject are not a little affected by the fact that Germany has taken the logical plunge. In its proper place we shall study the various types of industrial organization in Germany, but here we may deal with that remarkable and unique venture, the Reichswirtschaftsrat. It is the one instance in the world to-day of a functional Industrial Parliament. It was fashioned in 1919, at a time of turmoil, but in the design certain plans of Bismarck were unearthed. It has almost overshadowed the Reichstag in the interest of the public. Indeed, it is significant that German newspapers give greater room to its discussions than they do to the Political Parliament. It has no parties, no doctrines, no ultimate aims. It is a pragmatic, day by day control of the whole body of industry, formed as the apex of a pyramidal structure of joint interest throughout, though that structure, as yet, is incomplete. It is disliked on the one hand by the Socialists, on the other hand by the older Individualists. It is in itself merely a claim that trade and industry are complex matters, to be discussed as complexities by experts with various points of view, just as a Synod or Church Assembly would legislate in ecclesiastical matters ; indeed, in the economic sphere it bears a close kinship to the National Assembly in ecclesiastical affairs in England. It is claimed for it, too, that by keeping politics at a distance it prevents corruption and the play of improper forces. So it is really the logical final superstructure of the elaborate councils for Works and for Districts which were established in 1919. It is founded on a functional basis. All the great trades and industries are represented and all the representation is equally divided between employers and workers. There are over 300 members. Agriculture and industry have each 68 members ; trade and banking and insurance have 44 ; communications and public undertakings have 34 ; the consumers have 30 ; officials and the professions have 16 ; lastly, there are 24 nominated members, half by the

Reichsrat and half by Government. The members are elected by groups and by corporations, and most of the group of 68 chosen to represent industry are elected by a central committee for fostering good relations between employers and employed. All rules and privileges which govern Parliament also control this functional Industrial Parliament, and all administrative action affecting trade or business comes within its purview. Every bill affecting commerce or trade or industry must come to it, but it has no final veto and no power of compelling what we may call the political parliaments, the Reichstag and the Reichsrat, to adopt a particular measure. This is the attempt to solve what is an immense problem. If, as Mr. Crozier Long puts it, business legislation is more important than political in modern states, a Business Parliament could fairly claim to be the maker and unmaker of Cabinets and the importance of the Political Parliament would dwindle, and if the Business Parliament were elected on democratic lines it would be manifestly as inexpert to deal with business and industry as the older Political Parliament. Thus the German solution, while in theory maintaining the subordination of the Economic Parliament to the Political Parliament, has gained for the Economic Parliament a prestige which is so much higher than that of the Political Parliament that "the non-expert, non-business Reichstag thinks twice" before rejecting its advice. Opinions differ as regards the actual value in practice of this Federal Economic Council, but it is significant that there is a general tendency to claim for it independent legislative power apart from the political assemblies. In fact, its most severe critics base their assaults on the fact that it is subordinate to the Reichstag.

The extraordinary fact is that this Business Parliament attracts men of the highest quality who would scorn, unwisely, I think, to enter a Political Parliament. Viscount Bryce foresaw the day when to take part in the management of vast industries would be more attractive

than to take part in government, with all the turmoil and anguish of public life. On both sides of the Reichswirtschaftsrat are to be found the ablest men of the hour in Germany, from Stinnes to the leading labour men, both moderates and socialists. "No conceivable method of popular election," says a German publicist, "could ever have produced such a house." That is probably true, but the implications carry us very far and would seem to suggest that in politics proper, on the ordinary basis of a constituency, there is no place for labour or any other functional representation. Thus, a German Socialist newspaper says: "At any rate one in two is a labour man, whereas in a Political Parliament we could never elect even one in five." The paradox is that even with this high representation labour does not get as much of its own way as its votaries expect, for the simple reason that the decisions must be the result of agreement and not of the weight of a majority. Thus there is open discussion, but not for the purpose of a majority vote, and the spirit of mutual conciliation has steadily grown. Most remarkable of all is the fact that the very bodies on the extreme labour side who were most suspicious of the venture are now demanding, even more strenuously than other parties, that the Reichswirtschaftsrat be invested with direct legislative authority. It is significant that in Austria, where German traditions in respect of industrial organization have still considerable weight, a proposal is being strongly supported for the establishment of a similar Business Parliament. Not yet can we say that the structure of German industry throughout is consistent with this bold experiment at the top. There is the elaborate organization of the Zeiss glass works which, in its proper place, we shall examine in detail. There are elaborate joint councils in the steel and the chemical industries, but they are rather mutual organizations to get the best out of the consumer, and there are the Works Councils, which are not "joint," established by law for

each industry. Yet there is room in Germany for precisely the same development as is demanded in England as a logical part of the Whitley system, properly organized district committees for industry in general. It is worthy of notice that while Works Councils have been established by Article 165 of the Federal Constitution the work of combining them into District Councils has not yet been completed. Thus it is the case that in England the possibility of symmetry is more evident than in Germany, and that in England the process of devolution is more clearly realized. We see in Germany the pinnacles of the building before we see the main structure. In England we see a more limited structure, but more complete within its limitations.

The purpose which is in mind in putting into juxtaposition these two differing applications of what in essence is the same principle is to put the limits or bounds of the question clearly before us and then to fill in the details. We shall find in the application of the principle of mutual frank discussion some evidences in each country of the national characteristic. We shall find German discipline and obedience ; we shall find French politeness and considerateness ; we shall find American individuality amounting almost to eccentricity ; we shall find English caution and reserve. Indeed, in many respects we shall find that the application of this principle to industry, in various ways, has been in line with the general development of political ideas. In England there is the whiggery which proceeds just as far as it seems wise to proceed at the moment, just as far as the education and the enlightenment of workers and employers seem to justify ; in America there is the Declaration of Independence, the dread of domination of the State, or of Trade Unions, or of Trusts, or of any other man-made institution ; in France there is the reverence for the France of old through all the changes, the acceptance of councils which incorporate in them the old *Conseils de Prud'hommes* founded as long ago as 1789, with their

quaint idea of an alternate chairman from the employer and from the staff side, with their emphasis upon the settlement of the troubles of the individual worker and not of collective bodies of workers; in Germany there is the Obrigskeitsstaat, the country of ordered authority, which could see no good in any organization unless it had a definite head, which never knew true democracy and which leaped from a semi-democratic political system to an Economic Parliament at one bound. Those who are alarmed at these newer developments may take comfort. The one common link, as we shall see, is the rational use of discussion, the discovery of the truth. Mr. Lansing said that President Wilson's defect was that he was so lonely, that he did not consult others sufficiently. The day has gone by for the self-sufficiency of the employer. It may be that, as Mr. H. G. Wells said, empires are growing too vast for human control. Perhaps vast industries have discovered by the accident of events that they need all the reserve of knowledge and experience which they can gather into the task of control. There is a remarkable sentence in Mr. Graham Wallas's *The Great Society*: "The old objection to the dull uniformity of Socialism, which has always seemed so absurd to the Socialist, and which nevertheless so constantly reappears, is due to the half-conscious realization in the average man's mind from innumerable cases where, under public or philanthropic management, the function of thought has been loaded on to a single overworked brain and denied to the many who in that respect are underworked." It is usual to ascribe these developments to the war, to labour "finding itself." I would submit to those who reach this somewhat obvious conclusion that they probe a little more deeply, that they throw back their minds to 1911, 1912, and 1913, when they will find that under the surface there was a demand for some status in which the minds of the workers would not be underworked. There were demands for "industrial democracy," for "joint control," for guilds,

and as it happened again and again these demands were expressions for a human need which did not necessarily expect an economic revolution. "The leadership of the world must be improved as well as the rank and file," says Dr. Smith in his *Social Pathology*. It is an easy task for a tyrant to rule, to lop off the head of any recalcitrant. Constitutional rule is a different matter; it asks for leadership, the most difficult of all arts, calling for character and skill. It was easy for the dominant owner, who gave the benefits of employment to hungry men. It is not so easy for the owner who is determined to be leader, not so easy for the manager who puts his knowledge and skill and foresight to the test of frank discussion with his staff, who mistrusts his own ability if he feels that he is unable to persuade. He may cry "Bolshevik" and call in the police. He will be well advised to look a little more deeply. The varied industrial structures which we shall examine are one and all attempts at adaptation to the newer outlook. They do something to recognize the worker as having a right to think, and to think corporately. They do something to bring to the aid of the management the thoughts and the hopes and the needs and the experienced knowledge of those who are associated with the management in the enterprise. It may be of value if, in this spirit, we look at varied types of development. It is not merely that in the sense of the extension of the franchise we are conferring rights on the wider classes; rather it is that we are conferring responsibilities. It is not that we are democratizing "control." Rather it is that we are sweeping new elements of thought and experience into "control." The report issued by the Trades Union Congress on "Industrial Negotiations and Agreements" thus deals with this aspect of recent development: "It would hardly be correct to infer that joint control was suggested. The employers never at any time seriously countenanced the idea that control of industry or of any part of it should be shared

with the workers. But the feeling in favour of workers control had so grown in the ranks of labour that some verbal concession was necessary. With this in view, and with the desire to reduce the antagonism that most naturally found expression in discussions on wages, the believers in harmony suggested that other subjects should be jointly discussed, even to the conduct of the industry itself and other 'managerial functions.' "

It may seem that mere discussion does not avail much, that what is wanted, after all, is better remuneration and better conditions. To this it may be replied that discussion seems to be the only method of easing the struggle between the demand for profits and the demand for wages, and that whatever may be the issue between capital and labour it is to the workers' interest that they should learn not to kill the goose with the golden eggs. Further, it is to be pointed out that we shall find almost uniformly that bonus systems and profit-sharing have been disappointing, less disappointing perhaps in France than elsewhere, largely because they have been conditioned by paternalism, and a long tradition of paternalism does seem to be the atmosphere in which even a modest profit-sharing system best can thrive. Indeed, in France there were self-governed workshops as long ago as 1830, mostly in small industries. It has been said again and again that if the workers only spent cumulated funds in the purchase of stock they might control their industries. To this it is replied that there is a natural disinclination to owning shares in the industry in which they work, since this means taking a double risk, and that where workers have even been assisted by the management in the purchase of shares they have been rather shy to take advantage of it. In France the Railwaymen's Union purchased sufficient shares to secure representation at the general meeting of the Orleans Company. A representative attended in due course, but the general effect was disappointment. The method of discussion in individual

industries, in districts, or on the national plane, does at least indicate that the contribution of labour is regarded as co-ordinate with the contribution of capital and to be balanced in some way in respect of remuneration with capital. That admission is no small gain. It takes us a long way beyond the exploitation of labour. It removes at once any idea of the mere subsistence level of remuneration. If it means that labour does not get all it would fain demand, at least it gives labour the full reasons why it does not get all it demands. Those who are revolutionary do not wish so to be persuaded. Those who imagine that capitalistic ownership should be swept away overlook the fact that in any scheme which we have yet seen, from the old Socialism to the new Soviet, it is only transferred, and often to a method of ownership which can have no moral stimulus and no personal interests. So we set out to study in what way attempts have been made to modify the old relationship in order to make it mutual, without destroying the essential distinction. At least in an investigation we shall be able to gather a large number of instances under all sorts of varying conditions. At the close we may draw some conclusions in the form of summarizing the salient features of many experiments, and at least we can say that there must be some significance in any kinship, under the widely differing national conditions, which we may find in the methods which have been tried. That kinship may reveal some common characteristics which will open the way to a solution which the mere conflict of rival forces can never discover. Mr. Henry Clay described conciliation as an attempt to discover a solution by a conjecture of what the result of conflict would be. The method of discussion has a totally different aim. Rather it is an attempt to see the issue from the other point of view, and for that reason an attempt to discover a common point of view. It is constructive. It seeks not to heal a difference so much as to forestall a difference. It presumes a plasticity on both sides, an

openness to conviction side by side with a frank readiness to disclose facts. Thus we are looking at industry with fresh eyes. We are not forgetful of the past, nor are we contemptuous of that which a slow and sometimes painful evolutionary process has brought into being. In a sense there can be no "ultimate" organization, for there is a danger in keeping our eyes too closely on the future, just as there is a danger in concentrating our attention on the past. It may be that we shall find reason to believe that in the organization of industry, as distinguished from the organization of particular industries, there is a tendency towards some mutuality of relationship not necessarily confined to individual industries on the one hand or extended to industries on the national plane on the other hand. There may be a middle course which will achieve its end and yet maintain the organization which has developed within the individual industry and the corporate bargaining which has become effective and indispensable on the national plane. At least here lies our problem. In so far as we find an industrial organization capable of development and adaptation to the newer needs as they may arise, having within its limits the possibilities of a two-fold development and adaptation to give greater security both to capital and to labour and to give full play to the spiritual sense of mutual dependence, we may have gone as far in ultimate organization as we need go. We may have achieved all that can be achieved short of a venturesome attempt to alter the fundamental constitution of human relationship in industry, and such an attempt might bring the fabric in dust at our feet.

## CHAPTER II

### INDUSTRIAL ORGANIZATION IN THE UNITED STATES

UNTIL comparatively recent years the general expectation in the United States was that scientific management would bring a solution of the industrial problem. We were told that the relationship between owner and worker would be entirely revolutionized and improved by the expert planning of work, the scientific discovery of perfection in detailed operations, the adoption of functional management, the premium bonus system or the graduated bonus system. It should not be said that all these have failed. That would be short of the truth. But it should be said that they have failed in many instances and that where they have succeeded it has been chiefly because they have been based upon an intimacy of interest between employers and employed which has had a closer link than the mere cash nexus. In fact, those who are concerned in the direction of such industries are not at all convinced of the stability of their apparent success. It is as if they knew, by instinct, that something was needed more abiding than increased wages to successful workers even though that were supplemented by admirable personal relationships. Output has been increased. Wages have reached a high level. The fundamental basis of this increased wages has been acceptable. Yet it has been evident that from the side of the worker there has been a feeling that it could not go on for ever. In some cases the very dexterity, being based upon uniformity of operation, has itself contained the germs of a demand for a change. Consequently we need not be surprised that in many instances in the United States, where something of the nature of an industrial organization has been attempted, it has grown out of scientific management. In some cases it has tried to maintain many of the features of scientific

management. In most cases the distrust of labour organization has been a factor. As the Commissioner of Labour Statistics says: "The huge majority of employers in this country are, and always have been, opposed to labour organization." Where the employers have passed from scientific management to some sort of constitutionalism it has most frequently been because they were seeking yet another line of defence against labour organization, having discovered that scientific management, accompanied by cumulative bonuses and the like, was not sufficient. On the other hand, the labour organizations on a national scale have changed a little in their attitude. Naturally enough they distrust the so-called "company" unions, and at first they were led to believe that the method of councils and discussions was but a variant of the "company" unions. Bit by bit, however, they have seen that there is a fundamental difference, and so they are prepared to co-operate in the formation of these councils and discussions, even if they necessitate "company" unions, if only the "shop" is not closed against trade unionists. These factors have operated, but there is also another factor. There has been some self-examination as regards management itself. Even if every worker becomes efficient and by means of functional supervision is kept efficient, the management had to face a pertinent question when it was asked if as much effort had been expended in making management efficient as in extracting from the worker, even at the cost of higher wages, every ounce which could be extracted from him. This has led the managements to wonder if in knowledge of the workers' point of view they are quite as efficient as they imagined themselves to be. In some cases this introspection has been almost a panic. Specialist efficiency engineers were called in. What were called "Labour evangelists" were given full opportunity for their missionary work. Thus different expedients were tried with a view to what was called the "democratizing" of industry. At the same time

there was another factor. There arose a sudden interest in universities and training colleges in what was called "industrial management." Over 300 colleges and universities in the United States have courses in business management. The Graduate School of Business Administration at Harvard is probably the best developed. It has over 500 post-graduates giving themselves to this highly-specialized study and two degrees, Master and Doctor of Business Administration, are conferred. It is very remarkable that many large firms have found it to be advisable to send men—often of mature years—for this academic training. It is not that they expect these men to come back as expert managers, but they do expect them to come back with a sound knowledge of what has been attempted in other industries. Thus we may sum up that there is some disquietude with that type of industrial structure which had the "boss" on one side and the "worker" on the other. Scientific management had revealed, both by its partial success and by its partial failure, that to some extent the worker must be taken into fuller confidence. Indeed, scientific management might have had a less chequered history if it had not been based upon the assumption that someone other than the worker knew better than the worker himself the full details of the workers' own contribution. If it had been introduced with a more frank recognition of the fact that the worker can be interested in any attempt to study his work and, indeed, can make a valuable contribution to research and can make the results of that research more practically realizable by combining goodwill and intelligent appreciation with the performance of routine work in a manner which both sides will regard as the most efficient, it might perhaps have led us nearer to a solution of the fundamental problem.

Thus, while we group together a large number of experiments which have been made it is with a view to discovering the underlying tendencies. For convenience of summary

we may put at the extreme ends the system of Mr. Henry Ford, at Detroit, and of Messrs. Filene, at Boston. Mr. Ford's is the frankest autocracy. It includes the payment of high wages, "the distribution of profits before they are earned," as it has been described. It has the simplest system of scientific management, that is to say in its method of mass production it uses speeding up rather in a mechanical way though acute observers say that more is to be said for it than would appear theoretically, and that the use of labour-saving machinery and of scrupulous care as to conditions is more than a make-weight. It includes what did come close to espionage into private life in order to encourage what was called good citizenship, though this is now done by an Education Board. As an illustration of this conception of "good citizenship," we may quote from *The Times* of the 11th September, 1922, the announcement that Mr. Ford had decided that any man having the odour of beer, wine, or liquor on his breath, or having any of these intoxicants on his person or in his home, "will lose his position without excuse or appeal." It includes, too, a perfect scorn for any system of vocational selection, for Mr. Ford thinks that he should employ his due proportion of the lame and the blind and the halt. Thus he runs counter to that rather pleasant theory which would claim that if vocational selection were carried out thoroughly, everyone would be perfectly efficient, perfectly happy, perfectly contented. It was Fourier's old theory that if we make work pleasant it would be done *con amore*—for remuneration, of course, but for remuneration in the second place. Gide says that the Fourier theory may be less scientific than Taylor's theory of scientific management, but that it is nearer to the facts of human nature. Mr. Ford provides that his workers shall be a microcosmos of the world outside and not a specially selected body. Yet it succeeds, and it is not all the truth to say that the success is due to high wages and security of employment. Mr. Ford has attracted the trust of his

workers, and his benevolent autocracy is confidently tolerated. He has reduced the labour "turnover" to small dimensions, a factor of great moment in the United States.

At the other extreme is the Filene Store. Here we have what the Americans call "Industrial Democracy," using the words in a sense very different from the European sense: The employees at Filene's have a representative assembly. It makes laws and carries them out. It has an elected Board of Arbitration and there are workers on the Board of Directors. In fact the whole of the discipline of the workers is done by the workers themselves. Incidentally, it may be noticed that in the United States discipline is one of the first responsibilities to be handed over to the workers. In Europe, speaking generally, it is the last and much of the hesitation to introduce any method of discussion with staff representatives is due to anxiety as regards discipline. The difference may be explained by the fact that in America discipline is a distasteful responsibility. The employers are generally opposed to trade union organizations, but at the same time they hesitate to impose penalties on manifest wrongdoers, sometimes because they fear that it may lead to trade union organization, sometimes because the idea of equality which is "the foundation of our constitution" rather warps their minds. The value of discipline as a means of influencing the characters of the workers is not given due weight.

Between these two extreme types are a large number of intermediaries. There is a watch company which maintains that it has no novelties of management. It just pays the best wages it can, encourages a high standard of living, and from 1864 until to-day has had no strike and no strain in the relationship. The output in 1864 was 100 watches a day; to-day the factory produces 3,300 movements every working day. But if we look a little more deeply we shall find that there is, and long has been, an Advisory

Council of twenty from different departments to aid the administration and that the workers are given the sole control of a pension fund to which the employers contribute liberally. Successful as this industry is, the success is not ascribable to the Advisory Council but rather to the fact that the workers have a profound respect for the management and do not presume to think that, on the whole, they can improve upon it. A little different from this is the White Motor Company of Cleveland, Ohio. This company limits its dividend to 8 per cent and its central policy is to take the employees fully into its confidence on every detail of the financial management of the business. It has no "industrial democracy," no bonuses or premiums, no time or motion studies. It sets out with one single aim and that is to foster intelligent interest in the minds of the workers, but it gives them no power. It offers its management to the workers' criticism and is ready to profit by that criticism. It publishes all the details of its management in the White Book. There is an elaborate "Employment" system, under specialized management, welfare work on a vast scale, and educational work. The welfare work is exceedingly well done and falls far short of that to which the cynic referred in describing the Pullman system: "We are born in a Pullman house, fed from the Pullman shop, taught in the Pullman school, catechized in the Pullman church, and when we die we shall be buried in the Pullman cemetery and go to the Pullman hell." Indeed, whatever difference of opinion may arise as to discussions with staff on general subjects there can be no doubt that welfare work cannot ultimately succeed if it is controlled autocratically by the employers. We may pass to another stage in the Link-Belt Company of Philadelphia. This may be described as a system which is based on the determination to understand the worker and his point of view. There is a particularly well-considered system of "personnel" management, and this official approaches scientific management from the human

side. Indeed, it may be described as an enlightened and corporate adoption of the main results of scientific management. Then we have as a stage further the "Congress" system. Probably this system is now on the decline. It was largely adopted as the result of the enthusiastic fervour of a number of men such as John Leitch. It paid the subtle flattery of imitation to the American political system. It had a House of Representatives, a Senate and a Cabinet. Some industries contented themselves with one House, some with two, and a number had the full-fledged system with printed "bills" for prolonged discussion, and the like. To this elaborate system of discussion was added, in many instances, the idea of the economic dividend, which really meant a proportionate sharing of profits after a certain level. Most of these systems have had to be modified, in almost all cases in the direction of simplification, and the political model has lost most of its charm. Indeed, all of the experiments were hastily devised and the one clear truth which was emphasized was that just as political constitutions have evolved slowly and from simple to complex structures, so industrial constitutions must evolve. The remarkable fact is that these suddenly-conceived industrial structures in the United States have had to be changed as suddenly as they were founded. Not so is a political constitution changed. If we are to have stability in industrial structure and if we are to aspire to an ultimate structure which will be a national organization of industry—even though such an organization may be a long time in building—we shall do well to remember the history of political institutions. "An ideal of right does dwell in all men," says Carlyle, "in all arrangements, pactions, and procedures of men: it is to this ideal of right, more and more developing itself as it is more and more approximated to, that human society for ever tends and struggles." The movements which we have described have been curiously external. They have placed too much dependence

upon the mere machinery of organization. They have not borne in mind that constitutions cannot be developed beyond the ideal aims of those who fashion the institutions. It is with a realization of this fact that some firms in the United States have decided that all that can be done at the moment is to establish arbitration courts, sitting day by day, with the intention partly of dealing with individual and collective grievances and partly with the idea of gradually inculcating the sense of corporate responsibility for righteousness. "When we are capable of understanding what fair dealing is," says one of the largest employers in the United States, "fair dealing will follow; any attempt to press it forward before we have understanding is doomed to failure." Thus there are industries like the Endicott Johnson Co., which set out to discover what the "fair deal" really is, which are autocratically managed, but with a wealth of free and frank discussion whereby the autocracy is singularly enlightened.

So we see that there is an astonishingly wide range of experiment and the various experiments are at all sorts of different stages. The labour unrest which became acute in 1918 has left a strange crop of industrial structures behind it. Altogether, at the moment of writing, there are 725 large industries in the United States which have something of the nature of a constitution, giving the workers some representation. That is not a large proportion, and it is to be said of those which remain that the great bulk of them are struggling on with temporizing methods—concessions and day-by-day arrangements. Some have fallen back contentedly on special personal management, handing over the unpleasant work—which really need not be unpleasant—to an official specially charged to keep the peace at (almost) any cost. A few have capitulated, as it is regarded in America, and have frankly recognized the trade unions in the English manner. The general deduction which is to be made is that the path of these various experiments has been strewn with

many failures and with some successes, and that no particular method can be said to have achieved more successes than any other method. What seems to be fairly certain is that simple Works Councils which are set up for the enlightenment of the worker as to costs of production and amount of profits for distribution have been more enduring than any other type. Where a bold leap has been made and something more than mere enlightenment has been given, a share in control, or responsibility for discipline, or a voice in the distribution of profits, success has been less uniform. It is surprising, but industrial autocracy has proved to be more successful than these schemes when it is accompanied by hospitality to suggestion, by high wages, by a ruthless determination to advance those who have shown unusual ability. After all, we must remember that the United States is still a young country, that there are various aspects of corporate industrial life which have not yet developed, that individual ambition surmounts any corporate restraints, that high wages in many industries have given this ambition an opportunity which is unusual in the world of industry. Though all these factors are being modified in respect of the influence which they exercise, they still have considerable weight. It is significant that labour has not asked for the elaborate constitutions which we have described; on the contrary, it has looked rather suspiciously at them. An examination of the claims of the American Federation of Labour seems to show that it demands "greater democracy in order to give to the workers full voice in assisting in its direction." This is a long way short of demanding the ultimate control by labour. Oddly enough the offer to put representatives of labour on boards of directors has been received very coldly and in some cases with frank hostility on the ground that such representation would be of little practical avail. That attitude is not altogether consistent with the claims of the American Federation of Labour. Still it can be said of those claims

that not unnaturally those who put them forward are suspicious lest a concession, which to them is partial and possibly merely nominal, should stand in the way of the adoption of some more constitutional means, or at least of the adoption of some method whereby the workers generally may be kept more closely in touch with the discussions as to conditions and efficiency, and thus to aim at what they regard as "assisting in the direction."

There has been a more general acceptance of the idea of labour manager, though this development has grown largely since the impracticability of the "Congress" idea became accepted. The truth is that the experiments with a constitution of the pattern of a political constitution proved to the managers generally that to meet the workers' representatives face to face round a table was no easy task. Matters had to be explained which not always were easy of explanation; policy had to be defended which not always had been carefully thought out. Obviously it needed a specialist in knowledge and a specialist with a temperamental fitness which is even more rare than specialized knowledge. So the demand for labour or "personnel" managers rapidly developed. There were almost as wide differences in the arrangements for labour managers as in the constitutions. Still in dealing with broad features we find that in the wide sense of the word the management of labour could not be delegated. There may be delegation of part of it. The recruitment of staff may be considered to be the primary function of labour management, as in the case of the department stores in the United States, and welfare during employment may be added. In cases where the wider devolution of powers has been attempted and the higher management has washed its hands of all labour questions, including the settlement of wages, it has been found too frequently that when the time of economic strain has come and the readjustment or the reduction of wages has been inevitable, the higher management has thrown the specialized labour management

overboard. In fact, it is quite evident that separate labour management cannot exist outside the comparatively narrow range of recruitment or welfare. It may deal with individual cases, but it is evident that corporate handling of staff is bound to be attached to the highest management, and this has been largely the American experience. The purchase of raw material and the sale of the finished article and the fundamental financial basis may be the subject of specialized control, but every question affecting the industry has its bearing upon the cost of labour and upon the possibility of giving this or that remuneration, and it happens inversely that the cost of labour has its influence upon every other question. It is true that there is not so ready a tendency to search diligently for other economies before a reduction in labour cost presents itself, but let it be said at once that the responsibility for the search for other economies rests upon all shoulders, the workers' as well as the management's. There is the striking case of Mr. Thomas Mitten, the remarkable man who succeeded in turning the Philadelphia car service into an indisputable success. Mr. Mitten kept the staff problems in his own hands, took the staff fully into his confidence, and adopted the principle of a wage-dividend after a certain level of profits had been reached. He went farther than any other manager in revealing the full financial details, and when he had trouble with some of the directors the staff used its savings to buy shares in the company in order to retain him. Mr. Mitten's success was not due to the distribution of the "co-operative" dividend. It was due to his central principle that the management of staff and the settlement of staff problems was just that portion of the sum total of management which could not be devolved. That principle also involved an absence of fear of the corporate body of workers. In many cases specialized labour management has been adopted, if not out of fear of trade unions at any rate out of dislike

of such methods of organization. Where trade unionism is not so strong, as in the United States, it is possible that a specialized labour manager, granted that he has the personal equipment, may become a sort of union leader, may become the advocate of labour before the Board of Directors, and may be recognized as the advocate. At the same time he would be the reasoned advocate of the directors to the workers, through, perhaps, their shop committees. We can see in this the possibility of a useful function. It is a humbler function than the labour manager who has full power to make the best terms he can with labour. He is the representative of the ultimate management and the ultimate management retains the power and the responsibility. "Something more," says an American writer on the subject, "is needed than simple placation or ingratiation. Something more substantial than the glad hand and a genial smile are needed to keep the home fires burning. The reconciliation must go to economic foundations. The labour manager must be able to measure bargaining power and economic force; he must forecast market movements intelligently; he must be on guard against mere opportunism." This is no easy task. It means that there must be no bluff or reserve. The labour manager must be able to explain all the conditions which govern the economic relations between the worker and the employer. He must be expert in both directions. He must be acceptable by labour for the soundness of his judgment and his strength against any influence which might warp his judgment. Similarly, he must be acceptable to the management. His view of the attitude and the opinions of the workers must be accepted as trustworthy. He is a harmonizer in the true sense, and that means that he must be truthful in the highest sense. For such an official there is a place. It is entirely different from the function of managing labour on his own responsibility as delegated by the management. It is a paradox, but it is true to say that such labour

management invariably succeeds where it seems to be least needed. If it is given the task of interpreting the aims of management it will do so in a high-minded way where the aims themselves are high-minded. This development is the most promising development in American industry. Commonly it leads to something of the nature of a Works Council, because a labour manager of this type finds a Works Council a real need. Probably it would be less successful in countries where labour is well-organized on a national basis. In those countries the Works Council fulfils rather a different mission. It is the meeting ground of two well-organized forces. It is not merely a medium of articulation.

Indeed, the position of organized labour in America is difficult to define. There are the national unions, viewed as a rule by the employers with suspicion. There are the "company" unions, viewed with equal suspicion by organized labour. The national unions do not look upon the constitutions which we have described with invariable dislike. In some cases there has been ready co-operation, such as the electrical construction industry, in which a council has been established by the contractors and dealers on the one hand and the International Brotherhood of Electrical Workers on the other hand. The Federation of Labour has declared itself to be "appalled at the waste and ignorance of management but (the workers) are frequently denied the chance to offer their knowledge for use." This is a humble oblation. It is regarded with suspicion as a rule by the employers, though some have based upon it an offer of Works Councils or a "Congress" constitution. It has to be admitted that as yet organized labour does not command the respect in the United States which it commands in this country. Nor has labour any political aim, though there are many signs that this is about to be changed, and there are American thinkers who prefer a development in the direction of an Economic Parliament, somewhat after the

German model, in which the function of labour would necessarily be represented. Just recently the Supreme Court decided in the case of the American United Mine Workers that anybody injured by strike action may obtain damages. This must mean that in theory strikes are illegal. Nor is it likely that English precedent will be followed and an amendment of the law be passed, since American trade unions have hitherto shown a contempt for political process, as they have for political representation. It is easy therefore to compare American trade unionism unfavourably with British, but there is something to be said on the other side. American trade unionism is more adaptable to changing conditions, and the fact that it is not so well organized nationally may prove to be an advantage in the development of workers' representation in individual industries or district assemblies. Certainly there are signs that this adaptation is in process. The report of the Canadian Commission on Industrial Relations sums up the position thus: "In Great Britain, the proposal of the Whitley Report was that national industrial councils should be established first and that they should promote the formation of District Councils and Works Committees. This suggestion is the logical result of the fact that in Great Britain the important industries are organized in National Employees' Associations and trade unions which cover almost entire territories. On this side of the Atlantic there is no such complete organization and the procedure followed in Great Britain is less applicable, the result is that joint action on the part of employers and employed in Canada and the United States is generally developed first in the plant or shop. In a few plants in the United States there were experiments along these lines before the war intensified the labour problem, but the great majority of the schemes now in operation in the United States were adopted during the war or since the Armistice . . . Canadian and American experience with voluntary organized Works Committees

independence, to reduce wages, and lay off the professors in 1920." This makes it perfectly clear that the attempts at new industrial organizations in the United States had no concern with an aspiration towards a re-fashioned industrial organization as a whole. They were just as much elements in the competitive struggle as the older elements. Indeed, there are instances where the fact that relationships have been revised has been used as a claim to public favour. Thus the prospectus of a newly-organized trust in America puts forward this argument : " I believe in paying people all they can earn, and making it possible for them to enjoy their work. I want employees to feel that they are partners in the business and share in its success." Thus we have evidence from various quarters that in industry as elsewhere there is a recognition of a demand for full enlightenment as a condition of human co-operation. It does not indicate a demand for " industrial democracy," to use a vague term rather popular at the moment in America ; on the contrary it is beginning to be clear in America as in England that even the trade unions must adopt some system of leadership which will give trust and confidence to the leaders and which to some extent must be a violation of that crude conception of democracy which makes the leader into the servant of the multitude. If it is so in respect of trade unions it is evident that all the more it is so in organized industry, where so much depends upon leadership. Nor will there be any demand for legislation in the United States to insist upon this or that method of organization. In Wisconsin an attempt was made in 1919 to provide for labour representation upon Boards of Directors, but the Wisconsin Federation of Labour joined with those who opposed the proposal. It was said at the time that this opposition was based upon the determination to have a sufficient number of representatives on the Board to enable them to carry weight against the management, but probably the objection was deeper and it meant a demand for some organized

relationship between management and worker which would be nearer to the worker than the Board of Directors. The *New Republic* states the position very clearly. "Both industry and democracy, as now organized and conducted, train men and women in the art of exercising power for individual or class purposes rather than in the art of constructive human association. So they will remain until the ultimate units of association in industry, politics, and social life are organized primarily not to produce Fords or law and order or superfluous display, but as schools in which people of different outlooks and interest learn how, by experience and otherwise, to understand and to work with each other." That will call for a conception of organization to which not yet we have attained, but it is not too much to say that every experiment in the direction of revised relationship in industry, provided that it is frankly regarded as tentative and exploratory, will tend in some measure to that end. "Here," says Mr. Commons, "are a variety of types of Labour management, no two alike, ranging from the benevolent autocracy of Ford to the courageous democracy of Filenes. And yet all appear to have been successful to an unusual degree. The reason is not far to seek. It is that each of these establishments has a definite labour policy, each has created the appropriate machinery for administering its labour policy, and each has procured for its labour policy the widest and frankest publicity among those affected. It can hardly be the particular form of industrial government, nor any one device that has achieved this uniform success. These are but the tools with which to work out well-defined labour policies." This summary hardly goes far enough, nor have the successes been quite so uniform as is suggested. Rather is it the case that those schemes which have succeeded have a common thread running through their principles, and that common thread is the frank taking of the workers into confidence. The White Motor Co. contents itself with this as its principle.

varies from the plans which are based on labour organizations and collective bargaining to those in which trade unions are not recognized, and though there may be collective dealing with the representatives of the workers, there is no 'collective bargaining' in the sense which labour usage has given to that term." It is probable that there may be some misunderstanding of the statement that the problem was "intensified" by the war if it is interpreted as meaning that it has practically grown since the war. We are prone to over-emphasize the influence of the war on developments which were already in process. The movement towards some method of staff consultation was developing before the war in the United States and in Canada. The curious position of the trade unions had led the workers to look for a solution in a direction rather different from the conflicts which had taken place in those countries where labour was well organized.

The influence of scientific management had pressed this forward largely because the workers felt that stubborn opposition to scientific management was not the wise attitude. As long ago as 1915 the Colorado Fuel and Iron Company had established a Works Committee system. Still it was the fact that in 1919 this movement leaped forward and employers showed an appreciation of the strength of the movement which was as sudden as the movement itself. "From all sides," says Mr. Commons, "these experts were coming in and setting themselves up. They got long-distance calls from employers to hurry up and come at once. They lifted the employers' pocket-book at will. One would think that the capitalistic system was crumbling, in that employers had lost the power of discipline. In some cases we found that they had actually abdicated and turned the labour end of their business over to professors. Just what it all portended was a puzzle. Certainly the temporary scarcity of labour was a leading fact and employers began to regain their

But there is something to be learned from the partial successes and from the failures. It would seem that isolated schemes are at a disadvantage, that there is some yearning for direction and for cohesion which will affect more than the individual industry. We have heard of this in some of the recent strikes, for organized labour in its desire for some method of solution other than the arbitrament by conflict has had to suffer disappointment. The successes to which we have referred stand in themselves as pillars, a little lonely, a little separated, which indicate where the temple of industry is to be builded. What the building is to be at the moment can only be conjectured.

## CHAPTER III

### PAST AND PRESENT TENDENCIES IN FRANCE, GERMANY, AND ITALY

AT the outset we have to notice that there are characteristics of the later organization of industry in France, Germany, and Italy which have their roots rather in national or racial tendencies than in the cool adoption, after unprejudiced inquiry, of any particular method. The organized efficiency of Germany had in it elements of discipline such as obtain in no other western nation, just as in France there were aspects of *laissez-faire* which can be traced back to the conceptions of the rights of man set free by the French Revolution. It is significant that in the development of industrial organization in France there was always a recognition of individual rights far more frank than elsewhere in the world of industry. No doubt injustice has been done in England to the individualists, and it has not been recognized with sufficient fairness that they did intend social welfare, and they were not merely apostles of ruthless competition. They believed that social welfare could best be brought about by the operation of natural causes. There was never such faith in France in the ultimate operation for the good of humanity of natural causes, and behind all the effort at cheap production, and behind even the employment of women and children, there was a conception of a limitation, by the sense of moral responsibility and not by *législation*, to the rigors of competition so as to have some regard to human rights. Out of this reserve, as I venture to call it, there grew up the idea, about 1850, of the good employer, and paternalism in industry became firmly established. Gide quotes Dollfus's famous phrase: "The employer owes to the worker more than his wages." Indeed, there grew up two types of religious employer, the Protestant

and the employer of the Social-Catholic school. Both were interested in housing, in encouraging saving, and in schools for children, and having accomplished these ends in their own works they set out to compel others to be righteous, and so they argued in favour of legislation to enforce paternalism. It has to be admitted that in both classes there grew up a tendency rather towards over-interference in private life. Both classes were not unlike the good employer in England in the Evangelical period. In France, the employer wished to make good Protestants or good Catholics, not without a touch of controversial zeal. We shall probably see a development of industrial organization at a later date in history in which the cultivation of character will be the first motive, but that will only be when it is frankly realized that association in production must have regard for the finest product of all, the mutual help and strengthening both physically and spiritually—using the word in its widest sense—of the human unit. In France there were Social-Catholic economists who argued that authority in industry should be patriarchal and paternal, not unlike apostolic authority in religious matters. At length came a re-action against this paternalism, and it was argued that it would be healthier if the workers themselves were entrusted to look after their own welfare. It was an emphasis upon liberty but it had the disadvantage of bringing with it the emphasis upon the cash-nexus as the only link, and that means the crystallizing of conflict. Paternalism survived in France and much of it obtains even until to-day.

The organization of employers and the organization of employed followed to some extent. As Gide says, this was largely brought about by the fact that the shortening of the working day opened the way for the expression of new needs. In this the movement did not differ from the movement in other countries, though in France there was consistent apprehension as to the end to which such hostile organization was bound to lead. Attempts were made,

therefore, to provide both by voluntary effort and by legislation for some co-operation in control between the workers and the employers. Co-partnership, as we understood it in England, was met in France with the primary difficulty, even accentuated beyond what was experienced in England, that the worker had not the means to invest in the industry. But the thrift of the French worker led him to be suspicious of tendencies which would lead him to place his investments—received in the form of bonus—in the company in which he was employed. In 1917 a law was passed creating a new form of limited liability called *Société à participation ouvrière*. Permissive right was given to create *actions-travail* side by side with ordinary shares, with the same dividend rights, not to individual workers but to groups of workers constituted for the purpose. This law has been coldly received both by employers and by workpeople. The general opinion is that mutual interest is more likely to be developed by means of voluntary association. The employers have shown their willingness to establish voluntary joint councils, with a limit on the powers of those councils which would exclude questions of finance and the engagement and dismissal of workers. This also has been coldly received by the workers. Nor can it be said that the proposal of the Ministry of Works in 1919, which provided for joint representation in control of the railways, was welcomed generally.

Yet there are features in modern industry in France which must be recognized as elements in the evolution of a form of organization which may have a valuable influence. The history of *Les Conseils de Prud'hommes* is remarkable. They are largely juridical in their function. These councils decide in case of dispute, and they are a sort of corporate magistracy *ad rem*. Before the Revolution of 1789 a council existed in Lyons, and it was entrusted with the right to decide between employers and workers in the silk industry. In 1791 revolutionary acts abolished

the old organization, and afterwards put the control of industry under the police. Complaints arose, for the new authorities were insufficiently expert in the technique of industry and business, so in 1805 the old councils were again established, and were extended to towns other than Lyons. They consisted of five representing and elected by the owners and four representing and elected by the workpeople from among the foremen and chief workpeople, and the Government nominated the president and the vice-president, and the council was limited in its powers to cases involving an issue of sixty francs. In 1848 a curious change was made. The election was changed into two processes. In the first process the workers and the owners voted for a list of nominated candidates and thus produced an "electoral list"; in the second process the owners voted for the workers' representatives and the workers voted for the owners' representatives. The idea was that by the adoption of this criss-cross arrangement a better spirit would be secured, since the owners' representatives would be acceptable to the workers and the workers' representatives to the owners. It was a disastrous change, and in 1859 a law was passed re-establishing the old manner of election, worker-representatives to be chosen by workers and owner-representatives by owners, and providing for equal numbers on both sides. In 1907 the laws were consolidated and the system of councils was extended to all industry and not only to the textile trades. The judgments are without appeal up to a sum of 300 francs "in capital," but there are arrangements whereby a sum not exceeding 1,000 francs may be within the competence of the councils.

For many years the *Conseils de Prud'hommes* have dealt with disputes between employers and employed, primarily and almost exclusively with individual grievances. The *Conseil d'usine*, as in operation in the Harmel factory, near Reims, is a remnant of the Catholic paternalism, but it has had a decided influence on developments in

France. Indeed, it has been argued that councils are of no avail without the religious bond between the members. Mr. Mundella, as long ago as 1860, imitated the arrangement for *Conseils de Prud'hommes* in the hosiery trade in Nottingham. The central feature of this device was that the decision was reached by agreement and not by voting. The arrangement at M. Leclaire's painting establishment went a step farther in opening the way to a partnership of the workers both as a Provident Society and as individuals. It is curious to look back at John Stuart Mill's enthusiastic chapter on such ventures. He regarded them as models for the world of industry. Most of the schemes which he described are still in operation, with a halo of rather faded glory about them. They still bear their tribute to the foresight and humane purpose of the founders. But no one would say that they are likely to be models for industry at large. Though it is quite possible that individual grievances may become a festering sore, yet the root problem in industry lies in respect of corporate grievances. The fact is that the control of individual industries in France is far ahead, in respect of insight and sympathy, of the control of industry in any other country. The personal relationship, the courtesy, the loyalty still obtain to a remarkable degree. The paternal method has outlived the passions of Syndicalism, with its claim for a revolutionized parliamentary system based upon representation by occupation and for a revolutionized industrial system based upon producers' control. While it has outlived this assault on the fundamental system yet it has to be said that the assault itself has been responsible for a considerable tendency towards a reactionary outlook. In fact, it is probable that the hostility of the Syndicalists to anything of the nature of meliorism is one of the factors which have prevented the development of organizations in French industry something akin to those which have developed in other countries. M. Gide describes Syndicalism as being less a doctrine than a

tendency, and that if one wishes to see in it a doctrine, it is to be classed with pragmatism. That being the case we might expect to see more traces of the influence of Syndicalism and that efforts for mutual discussion would be regarded with favour if only for the reason that if the producers are to have ultimate control they would gain by being given a preliminary opportunity of learning the facts which underlie management. On the other hand there are clear evidences that the workers no longer claim as a postulate that all wealth is produced by labour. One of the subtle influences of the war on the French worker—by the way it was foretold by a Syndicalist—is to impress his mind with the value of organization and foresight and careful planning. He has seen property destroyed on the grand scale and he knows that if it is to be restored it will call for the operation of the finest planning and for the adoption of every economic means which modern science has made available. The revolt of the workers against the intellectuals who led them to Syndicalism may be regarded as having reached a new stage. It has shown the need for leadership possessing the rarer qualities of foresight and insight, and the workers are prepared to find such leaders among managers and owners, so that Syndicalism is no longer a menace and French trade unions, being crippled by their divisions, are ready for a development in another direction.

There are in France much the same evidences of consolidation of industry as we find elsewhere. This consolidation largely takes the shape of a vertical trust. "Syndicate Councils" are formed under the law of March, 1884, and are a characteristic of French development. We have seen that the trade unions are not so powerful in the day-by-day working of industry, and throughout there has been a spirit of conciliation and of considerateness which has succeeded in keeping labour troubles at a minimum. In short, the paternalism already described is still a strong factor, even in the vertical trust which in

England and America is so impersonal an organization. Many things which we in England and in America regard as ultra-modern have long been in force in France. Mr. Farnham tells a story of an American professor who sought for literature in France on "Employment management." No such literature could be discovered because employment management is so common-place in France. At the entrance of nearly every French plant of importance is the *Bureau de personnel ouvrier*, over which presides the *Directeur de service personnel ouvrier*, and he is almost the very prototype of the latest development of staff manager in England and the United States. He acts as intermediary between workers and management, and in the performance of this function he has generally been successful. So it happens that sons and grandsons of employees may be found in the average French industry, precisely the same feature which personnel managers of department stores in the United States are attempting to introduce and to encourage. In fact, personal relationship is on an exemplary footing in France as a general rule. It goes rather further in intimacy and in trust than the recognition of human rights which we have traced back to the dissemination of views on democracy. There are apparent signs of lack of discipline, but the student needs to be cautious in reaching a conclusion for the freedom and the *cameraderie* do not necessarily mean lack of discipline. It is worthy of notice that the conditions laid down by the employers in the offer of Works Councils seem to suggest anxiety on the score of discipline and that is why they are hesitant to allow discussions on the engagement and dismissal of workers. At the same in France there is a striking absence of the type of domination to which the English and the American foreman have accustomed us, the type of domination which Mr. Henry Ford describes as "swelled with authority." In fact, the pragmatic psychology of the actual management of men is very highly developed in France. It is customary to smile at what may seem to

be the excessive politeness; the employer who bows to his workman, the workman who is scrupulously respectful to his chief. The student of industrial administration, accustomed to the consideration of this or of that scheme or plan as the sure guarantee of efficiency, may well wonder whether Gallic politeness is not a better evidence of the spirit of true efficiency than any mere scheme or plan. At any rate, here is an aspect of industrial life which has not received sufficient attention. There are practically no attempts at Whitley Councils. The offer of the employers, to which reference has been made, has generally been scorned. It has been said too readily that the restriction as to discipline is the cause; there is sound reason to believe that it is the restriction against inquiries into finance which is more potent. Even admitting this, it cannot be said that there is any burning desire on the part of the workers for joint councils. So far as small grievances are concerned the *Conseils de Prud'hommes* satisfy all needs. If there is to be true enlightenment as to the control of the industry there must be some elucidation of the general financial position. In Germany there is a restriction on the right to inspect balance sheets, and to this extent the German system is hampered. It is a good test of management to be able to explain the balance sheet to representative workers. There is all the material ready in France for such a development. More than that there is the spirit of solidarity, already evidenced in the *Conseils de Prud'hommes*. Certain fears and timidities need to be banished and certain misunderstandings need to be cleared up. But on the other hand, other countries have much to learn from the spirit of industry in France. That spirit is naturally anxious lest it should be checked and thwarted by an organization, be it never so well conceived and never so justly established, and the anxiety obtains both on the side of the employers and on that of the workers.

In Germany we leap to the other extreme. Organization, legally enforced, is evident on every hand. More than that,

it is evident that the central aim of this organization is to have all industry centrally directed and guided, and not by a Government department but by an industrial structure in which there will be full representation for every interest involved: employer and worker and consumer. Thus the organized economic system is the most closely-welded and most inclusive scheme yet attempted. Though it is right to say that as an actuality it grew out of the conditions of the war, it is also right to say that the idea which inspires it is not new; Bismarck had conceived part of it at least, and certainly he was determined that there should be an Economic Parliament with powers equal to the Political Parliament. Indeed, in 1878 he founded for Prussia an Economic Parliament of seventy-five members, and when he proposed its extension for all Germany he urged the representation of the workers, and this idea would have been carried out had not the Reichstag vetoed the proposal to pay members. The scheme as conceived in 1920 is not yet complete and the co-ordination between the different parts has not yet been carried out. It is not being fulfilled by any evolutionary process for the intention is, sooner or later, to legislate for the complete structure. It arose in its present form out of the social unrest at the time of the revolution. It set out to preserve the main features of what is called capitalism and yet to make some concessions to Socialistic thought. In Herr Stroebe's book, *Socialization in Theory and Practice*, he examines this complete economic scheme from the point of view of a Socialist. He admits that it was adopted as an alternative to "socialization," largely because the time of falling prices and instability was not considered to be favourable for the venture of "socialization." He examines the scheme in detail in order to arrive at a conclusion whether it will or will not lead to "socialization" and in the end he is somewhat indefinite. He sees a sharp antithesis between the scheme and "socialization"; he doubts if joint management can lead to "socialization"; he doubts

if the scheme is responsible for the increase in the number of trusts which, he argues, in any case were inevitable. There are twenty subsidiary trusts. The seven aims defined by law include the aim at increased productive efficiency by means of organization, standardization and the elimination of waste, increased co-operation between employers and workers by means of national agreements and Works Councils. It is interesting to state the steps by which this great idea has been reached. The Act of 1891 amended the industrial code and provided for the consultation of workers in a Workers Committee. In May, 1905, this was made rather more stringent for the mining industry in Prussia, and afterwards in other states, by the insistence upon the election of Workers Committees. In December, 1916, it was enacted that such committees must be established "in every undertaking engaged in work of national importance employing not less than fifty persons." Later a Central Joint Industrial League was established. It is a voluntary organization which includes both employers' and workers' organizations. There are fourteen groups for industries on the national plane, and these are divided into trade groups, and these again into trade and district sub-groups. This Joint Industrial League is already a potent influence. It has settled several questions, particularly those affecting hours of labour; it has pressed forward the idea of Workers Committees; it carries great weight in the Federal Economic Council. In January, 1920, an Act was passed requiring Works Councils to be set up in all undertakings where at least twenty persons are employed, including agriculture. In order to meet the difficulty which arises from the employers' disinclination to put confidential information before the Works Council, smaller committees are elected in certain cases. The provision that in very large industries the balance sheet must be explained to the Works Council has been restricted. The rights of trade unions are carefully safeguarded and a trade union representative

must be allowed to attend the meetings if one-fourth the members ask for it. The difference between these councils and Whitley Councils is fundamental. Although the German Works Councils are at the cost of the employer he can only attend when he is invited, and normally the councils consist of workers only. Naturally enough the employers are restive and they view with suspicion a tendency on the part of the trade unions to seize further powers over the councils. The Whitley Councils are purely voluntary and the employer has full power as regards the information which is to be given to them. The German Works Council have certain statutory powers of access to records of the industry. So we can describe the general structure as it is at the moment. The Works Councils are the basis of the structure. At the apex is the State and Federal Economic Council, the Economic Parliament, which has been established tentatively but with a prospect of permanence. Between them is the District Economic Council, to which appeals from Works Councils are to be directed, but the form and functions of the District Councils have not yet been determined. The National Federal Economic Council is the outstanding feature. Whether or not it will continue is questioned by some authorities, but the general interest in its proceedings and the high respect in which it is held seem to justify the opinion that either in its present or in a modified shape it will be a permanent feature in German industrial organization. It includes representatives of employers and employed, largely chosen by the Joint League which has been described. Agriculture and industry; consumers and producers are all included in the presentation. "In this gigantic all-German trust," says Mr. Farnham, "Germany has crystallized the tendencies of the industrial world for the past decade—the destruction of ruinous competition, the consolidation for efficiency of operation, workmen's representation in management." It goes farther than the Joint Advisory Council which was proposed in

England in 1919, though it is quite possible that one of the reasons against the adoption of such a scheme is the apprehension that it might evolve into something not dissimilar from an Economic Parliament. There is a strong prejudice in England against such dominant authority as distinguished from Parliament, but this is a point which will call for precise examination later on.

There are other features in the organization of industry in Germany which call for attention. Largely based upon military practice there is a definite distinction between administrative and executive control. Divisions of responsibility are drawn with the utmost care. The employment department in each industry is a real entity, and there is no suggestion of jealousy on the part of other departments. The functional character of control is frankly recognized. Even in the midst of industrial upheaval there is strong discipline. Minute instructions are issued to the workers and fines are levied for irregularities. The study of vocational suitability is carried very far and very great stress is laid upon technical education, a just criticism being that in the management of industries there is insufficient regard to humane literature as a necessary element in training. It is significant that the tradition in France of sons and grandsons being employed in the industries where their fathers were employed is now being studied in Germany, and there are writers who are suggesting that there may be aspects of vocational suitability arising from family tradition to which insufficient weight has been given in the past. "If we can carry family unity and mutuality into industrial life," says one of the industrial experts, "we may add an attraction to vocational fitness which may be of immense value." The Works Councils are actually prescribed by law and, as we have seen, the inclusiveness of the scheme has proceeded by steady extensions, until it comprehends comparatively small industries. The Federal Council—temporary though it is—is also prescribed by law and there are those, once critics of this

central authority, who are urging that it should be given Parliamentary authority instead of the mere advisory authority which it has at present. Perhaps its best work has been to attract confidence in its representation of the consumer, for the Joint Council in the steel industry, in particular, had been criticized adversely on the score that it exploited the consumer. The District Councils present a difficulty which has not yet been surmounted, and the demand for greater powers for the Federal Council has introduced an element of apprehension lest the same authority, on a narrower plane, should be claimed for the District Councils. It is significant that in the discussions in Germany of modifications which are believed to be necessary in the incidence of the eight-hour law, it has been suggested that the District Councils should have power to adapt a centralized law to regional conditions and that for this and similar purposes the organization of the District Councils should be pressed forward. In no other country has the law actually prescribed Works Councils. In Germany while it is declared that the Works Councils must take no part in management it is also enjoined with some apparent inconsistency that they shall deal with discipline and even re-consider cases of dismissal. Thus the extremes meet and the purely voluntary system which has attracted the leaders of many large industries in America has points in common with the State-enjoined system which we find in Germany. The Betriebsrätegesetz or Works Council Law of 1920 is a voluminous body of instructions, dealing with small details, and it probably weighs heavily upon Works Councils of those industries which employ only twenty workers. This is safeguarded a little by the haziness as to the financial information which is to be given to the Works Councils. At one time it seemed to be enjoined on the management to give a careful statement of all financial operations so that the staff representatives might be fully enlightened, but this law applied only to industries employing more than 300 workers and 50

salaried officers. There has been some modification recently of this injunction, and it seems now that the management can place limits upon the financial data which is to be communicated to the Works Council even of the larger industries. Further, there is now an arrangement whereby two members of the staff may be elected by the Works Council to sit on the Board of Directors. This has arisen from the modification of the financial data to be given to the Works Council. It might have been better if a remedy had been sought in the direction in which English thought has tended. After all, it is only reasonable to suppose that an English Whitley Committee, with both management and staff round the table, will be able to deal with the minute complexities of finance in a more intelligent way than a Works Council consisting of staff only, grappling with the problems as they are presented in written forms and hesitating to ask for an explanation, and, indeed, in many cases being too proud to ask for an explanation.

A curious case of difficulty in the working of these councils has arisen in connection with the eight-hours' day. The violations of this law were notorious, due largely, let it be said, to increase in the cost of living. Proposals for adjustment have been made; one proposal is before the Reichstag providing for a fifty-six hours' limit in the week in lieu of an eight-hours' limit a day, and another proposal suggests the deduction of necessarily idle time on the railways from the daily total. It may be asked why this cannot be done as part of the function of the appropriate Works Council, granted that it is desirable. The answer is very remarkable. It is pointed out that the eight-hours' limit is in the protection of the worker, and while it is true that workers go to a second employer after the performance of an eight-hours' day for one employer, it would be impossible to punish vast numbers for such an infraction of the law. Further, the courts are taking the view that as under the *Betriebsrätegesetz* the presumption is that the Works Councils consent to

this virtual extension of hours it would be absurd to punish the employers. Consequently it is necessary to pass a new law with further rigidities to take the powers from the Works Councils in order that the previous law may be effective. It is hardly a matter for surprise that it is being pointed out that the District Councils should be able to handle such an issue, that they could best deal with the transfer, after the eight-hours' limit, of men from one industry to another, and that if the Reichstag—even with the accord of the Federal Economic Council—always proceeds to new legislation to meet each difficulty as it arises there will be an endless chain of legislation. On the other hand, it is argued that the times are exceptional, that the general value of the eight-hours' limit is indisputable but that the national financial stringency calls for urgent measures, outside normal processes, just as war calls for urgent measures, and that the settlement by Works Councils is not disturbed as a normal procedure by such an exceptional proposal at such an exceptional time. We may leave the issue as thus stated, but it is a notable fact that the elaborate organization has not proved to be sufficient even for the fulfilment of so apparently fundamental a procedure as the eight-hours' day. According to both sides it is clear that some elasticity in the administration of such laws, at any rate at normal times, will have to be admitted. We may be permitted to suggest that if there is any elasticity in the adaptation to practice of a law, the general value of which is "indisputable," the responsibility for such adaptation can hardly be laid on Works Councils in individual industries without giving them a weapon in competition with other individual industries which it is too much to expect them never to use.

It is generally said that this vast complex scheme of Works Councils and of a Federal Economic Council grew rather suddenly out of the industrial upheaval after the Armistice. Once again we must protest that too much

is assigned to the war. The upheaval was soon checked and with their accustomed docility the German workers fell into line. But the truth is that the Federal Council was an old idea. As we have seen, Bismarck was familiar with it, and in his dread of democratic power in politics he was a believer that the best means of checking that power was to give it the responsibility of economic power. Parliamentary authority in Germany was always hedged and safeguarded, and the experiment with an "Economic Parliament" would probably have been made quite apart from the upheaval after the war. Similarly, the Works' Council was not a fresh-born idea. There is hardly a feature of the Works Councils which is not to be found in the arrangements in the Zeiss glass factory at Jena. As long ago as 1896 the "Workers Committee" was called into being at Jena. It held its first meeting in January, 1897. It consisted of 120 representatives of the workers, elected annually by ballot. "The 'Workmen's Committee' may not be refused a hearing by the management on any matter affecting the working of the undertaking." It proved to be too big, and so since 1902 a sort of Executive Committee of seven took its place. It meets once a week in private "for the purpose of discussing notable occurrences affecting the well-being of the men and determining upon the attitude which should be adopted in each case. Important questions of general interest are discussed in conjunction with the managers at specially convened meetings at which also the managers may bring up questions for discussion. The proceedings of the Workmen's Committee, those of the sub-committee, and of the managers are drawn up in a report, a copy of which is hung up in each of the workshops." In respect of discipline and personal questions the "Social Secretary"—who is the "Personnel Manager" of American industries—represents the management, and he is expected to settle such questions, leaving to the managers the discussion of questions of methods and improvements and changes which affect

the grading of the workers. Professor Abbe, who was responsible for this early Works Council, specially intended that the committee should be an open and sincere organism and not a mere mask for autocracy on the part of the owner or manager. The scheme was widely discussed. Certain aspects of it, in particular in respect of the bonus-sharing, were described in English journals dealing with questions in Economics. There can be little doubt that it was the parent of the Works Committees prescribed by the law in 1920. What is even more interesting is that there can be little doubt that the omission of the feature whereby there were occasional sittings with the management was quite deliberate. It is said among the objects of the law that it is to ensure co-operation, but there is good reason to believe that the arrangement for both sides to sit round the table was intentionally kept for the superior committees, the Federal Council and possibly the District Council. At any rate, it is laid down that disputes which arise must be referred to the District Committees. It will not escape the student that the Zeiss system contained—though only for occasional use—the characteristic feature of the English Whitley Committees. It is worth while in conclusion to quote some of the duties which are laid upon the Works Councils. They are to support the management in all industrial operations in order to secure the most efficient and economic control and conduct of the business. They are to be careful to encourage the introduction of new methods where the management thinks that new methods are desirable. They are to secure the undertaking against disturbances which may arise from disputes among the workers, within the council itself, or between the workers and the employers. They shall encourage good feeling within the workers' unions as well as between the unions and the employer. They shall encourage joint negotiation as far as possible. This last injunction is necessary since joint sittings are not meditated as a normal procedure. A number of opinions have been obtained from employers.

They may be summarized as being cautiously favourable. Obviously they do not want the powers of the councils extended, especially in the uncertain position of the District Councils, but they pay their tribute to the moderation and the constructiveness of the members of the councils. "The spirit of opposition between the two sides seems to have died down," says a Berlin manager, "and given way to a realization that mutual concessions alone can guarantee favourable developments. Thanks to this realization, the employers are more disposed to enter into negotiations and to make concessions, and the workers more often send moderate representatives to the councils instead of extremists." A private letter from one of the members of the Federal Economic Council makes the somewhat significant conjecture that if the developments proceed in their present direction a modification of the councils to provide for regular joint sittings as the normal procedure will be inevitable.

In Italy the dependence upon German finance before the war has led to a greater reconstruction than elsewhere. Probably the labour upheaval was more dramatic in Italy, but the same warning must again be uttered. Matters in Italy had not been quite comfortable long before the war and economic authorities were clamouring for some organization of industry which would be a safeguard against what they regarded as inevitable disaster. The crash came suddenly, however, and workers actually seized the industries. There was remarkable discipline. Incompetents were discharged; attempts were made to increase output. Some study was given to the methods of distribution, and then consideration was given to the art and science of management. Then the workers found themselves. They realized that though they had seized the capitalists' property they had not seized his skill or experience in management. So the Premier succeeded in drawing up the famous decree by which factory councils were established and the factories were returned to the

original owners. The decree has been attacked as a wild concession to the workers, but it is yet too early to say if this is a just criticism. It is true that it seems to suggest that the workers shall share control, but there is good reason to believe that as time has passed the meaning of "control" has proved to be something different from what was thought in the heat of the moment. It seems to mean "oversight," "check" or "audit" or "the criticism or consideration of control" rather than control in its sense of initial or directive authority. Some sort of a scheme was put into working tentatively, but as it passed from theory into practice the management realized that it might be possible to evolve a more moderate scheme which would be really practicable and immediately beneficial to both sides. Accordingly the employers suggested a scheme which has striking points of kinship with the English Whitley scheme. It included National Joint Committees for each industry, with District Councils co-ordinated with them, and at a later stage, Workers Committees to be co-ordinated with the District Councils, all of them to have management and workers equally represented. Then labour put forward its scheme which was not acceptable to the employers as being too complex and as leading to expropriation. A third scheme was put forward by the Catholic Workers' Federation which included joint committees and a profit-sharing system to be established by law by means of which the profits would be divided into certain proportions, and that which accrued to labour over and above wages would be used for the gradual purchase of shares until all the shareholders were expropriated. This scheme is tantamount to asking expert and energetic management to plan and toil for its own destruction. In the main the Government Bill follows the employers' schemes, being rather afraid of the German model whereby the councils consist of workers only, and especially afraid of the idea of a Federal Economic Council. In the adaptation, however, to Italian

conditions rather more is made of the idea of sharing control, though possibly this is subject to some ambiguity much as we have already seen. However, the Government is waiting on events and is allowing all sorts of organizations to be tried in various industries until some generally acceptable form is evolved. There are some thinkers in Italy who say that the desirable scheme is gradually taking shape and that no legislation will be required. A leading Italian economist has just issued a valuable contribution to the subject in which he shows that labour troubles in the past two years have arisen in those industries where there is no council of any kind. If he succeeds in inducing the managements of industry in Italy to get over the shock of the seizure of industries and to believe that co-operation is possible without any dethroning of management it may be that a complete scheme of National and District and Works Councils will be at work in a comparatively short time. Certainly that seems to be the tendency at the moment. It will be a strange irony if the world sees in Italy the first full and voluntary development of the complete structure. It is no small achievement for the Premier. He has pulled industry out of a hideous tangle. He has taught the workers the value of true management. Out of these factors there may come an industrial structure which will conserve that which is best in industrial structure as we have known it and may point the way to a further evolution on a voluntary basis. It may be advantageous that the scheme should provide for steady growth. In this respect it will compare favourably with the German scheme which seems, in its completeness, to be too crystallized and on that account to be insufficiently adapted to future changes of conditions.

## CHAPTER IV

### INDUSTRIAL ORGANIZATION IN ENGLAND

THE centralization of the organization of labour in England has had an influence in two directions. It has checked the development of local responsibility and the unrest which is indicated by such movements as the shop stewards' movement is indicative of protest against this aspect of the influence. On the other hand the influence has been largely on the side of uniformity of industrial structure. With the vast and potent industrial trade unions in England it is most unlikely that there would be the sporadic and varied arrangements which we have seen in the United States. Moreover, it was evident that whatever device would be most favoured in England was bound to be a device which would include a frank recognition of Labour organization on the grand scale. To some extent it is true that this frank recognition of Labour organization on the grand scale has an unfortunate influence upon local articulation. It cannot be the case that there should be so few local variations as obtain in England from standard rates and standard conditions. Manifestly, therefore, whatever organization came to be established in England must take into account two factors which, to some extent, are in opposition; it must recognize trade unionism on the national plane; it must recognize the gradual growth of local feelings of disquietude with national organizations which gave too little weight to local experiences and to local expressions of opinion. There was collective bargaining on the grand scale, but the individual in the local industry was governed by collective bargaining at headquarters and yet remained an individual, distant from the bargaining and feeling that the conditions which affected his day-by-day life were not fully considered in the

bargaining. We might easily make a wrong inference in England from the large number of vast industrial upheavals. There have been many strikes which have covered the whole country. It is too readily believed that these are a very recent manifestation, but Mr. R. H. Gretton, in his *History of Modern England* describes the strike of 1889 as a general stirring among wage-earners, and emphasizes Ben Tillett's appeal for unions "national in scope so that in any given case not the local men alone would have to be dealt with." It has been said again and again that labour is organized on the one side and capital on the other, and that there is no opportunity for the goodwill which is the basis of some give and take in practice. Yet there is good reason to believe that even through these vast disputes there have been many cases where the relationship between the employers and the workers has been admirable. Each has recognized the other as being in some sort the plaything of vast economic forces. It has often been the case that mutual respect and even mutual trust have continued through the tumult. We read of instances where captains of industry have been able to address the men's representatives in the friendliest way personally while being officially at daggers drawn. Intelligent observers have looked for the reason. Some have found it in the English love of sport, or of the sportsmanlike spirit. The fact is that we have had a spirit in advance of the form and the spirit has continued in spite of the fact that extreme centralization has often failed, as a form, to be fully representative of the spirit in all districts. Indeed, it is this high centralization which presents the greatest difficulty. If only we could find some scheme of decentralization which would yet keep the workers' minds free from the suspicion of *divide et impera* we should be able to take a step forward in the discovery of a form which would be much nearer to a full expression of the spirit. Yet the process of discovering a method of decentralization is a slow process. Much

wrong has been brought about by the attempt to force ideas ahead of the receptivity of men's minds. Dr. Figgis's account of Machiavelli is to the point : " It may be pointed out that the ideal of efficiency, if it be exclusive, will almost invariably tend to become an apology for tyranny, whether that of mob or monarch. The moment a man begins to think of any particular reform as more important than any loss to human character that can accrue through waiting on the task of educating the public conscience to effect it, the moment, that is, he sets this or that object as an end itself irrespective of the men who are to reach it, he is bound to become impatient of average stupidity, contemptuous of all rules, legal, moral, or customary, which delay the accomplishment of his ends." There have been instances, benevolently designed, where attempts at industrial structure have been premature, in that they have not had behind them the full goodwill of the workers, or, indeed, their competent fitness for such tasks of administration as were involved, and the result has been in some cases that the schemes have been shipwrecked. The debris of profit-sharing schemes is an indication of this. Many of these schemes have failed not so much on their merits as schemes but because the strain of centralized trade unionism on the one hand, and the habit of surrendering the local point of view on the other hand, have combined to make incompetence.

So it is the fact that there has been in England a lack of successful organized schemes to interest the worker in the administration of industry. Also there has been some anxiety lest " control " should have to be abrogated by those responsible for control. " The hopes of those who had anticipated that the workers would get an insight into the conduct, administration and finance of their industries," says the Trade Union book on Industrial Negotiations, in dealing with Whitley Councils, " were unfortunately not realized, as the employers have hardly ever allowed these topics to be discussed or knowledge

concerning them to be communicated." Probably this is too strong a condemnation, but it is true that except in a small minority of cases there was nothing which could be regarded as an actual sharing of control or even of the knowledge of the principles which inspired control. Yet the Whitley Report awakened a deep interest. There can be little doubt that the shop stewards' movement had some influence in preparing the way. It is easy to describe that movement as indicating lack of discipline in trade unionism but it showed a positive quality. It manifested a desire for articulation of needs felt in the workshop which could hardly be articulated by the central body. The shop stewards' movement was very complex. It was not always conciliatory. Sometimes it was a protest against the moderation of the central executive; sometimes it wished to restrain the central executive. Always it was jealous for its own expression; it was to that extent a protest against over-centralization. Meantime, in what we may regard as chosen industries various efforts at profit-sharing and co-partnership attempted to find a solution in another direction. These attempts were not regarded favourably by the trade unions and this, I think, was largely because trade unionism has suffered in recent years from regarding itself as an end rather than as a means to an end, a means which has in it the possibility of varied developments. It was suspicious—and this suspicion was shown in some instances in respect also of Works Committees—lest the result should be a tendency to divert the loyalty of workers from the trade unions. Profit-sharing has been described, and not I think altogether unjustly, as the "hush money" of labour. It has succeeded, as Mr. Bowie shows in his admirable book, in something less than 50 per cent of the schemes which have been started, and in textile, agriculture, building, mining, and furnishing the proportion of successes is much smaller. The chief converts to profit-sharing since the war have been the very large scale industries

and those of them with very stable conditions have found profit-sharing to be of some value. Mr. Bowie sums up profit-sharing that "it has not proved successful in solving any of our industrial troubles. In some cases it has even bred them." The fact is that the demand, inchoate though it be, is for something deeper than profit-sharing. Trade unionism does provide the worker with a corporate interest. It does encourage the sense of fellowship and does give some range for thought and for distant vision. Profit-sharing does not seem, even where it succeeds, to affect the status of the worker. Co-partnership does come a step nearer, and when co-partnership has been accompanied by some method of procuring living interest it has achieved much. It does rob the worker of mobility, but we must remember that the mobility of the worker depends upon the essential principle that he is out to get the best terms he can get, and the obverse side of this is that labour becomes a commodity subject to all the influences of supply and demand, which it is the central aim of recent developments to check. Various causes, including housing, have modified the attitude towards mobility, and just as competition in respect of product is not the factor which it was, so mobility, as an expression of competition for labour, is less potent as an influence. There are cases in England of indisputable success with co-partnership, but not such as to justify Lord Robert Cecil's claim that methods of co-partnership should be defined by law and made compulsory. Schemes of gifts of shares to employees, not conferring any rights other than the receipt of dividends, do not promise well, for at once the awkward question is asked why the worker-shareholder should differ from any other shareholder, while, on the other hand, it is probable that if they were put on the same footing there would be a danger of the worker-shareholder exercising less foresight. Efforts have been made to provide a special committee to represent the co-partners. There can be little doubt that both profit-sharing and co-partnership have exercised

their best influence in opening up the way to the adoption of such committees. The same may be said of the welfare committees. Profit-sharing, co-partnership, social, sport and welfare committees have shown the way in which workers may accept some responsibility and at the same time may make an intelligent contribution not merely to the direction of that section of the corporate life of the industry in which they may be said to be specially interested, but to the direction of the industry as a whole.

Works Committees before the war largely came about by these means. They are not the novelty which is generally supposed. As far back as 1908 in the Report of the Truck Committee joint tribunals of employers and employed were recommended in order that there might be an amicable basis for deductions for damage and defects. Certain researches into the earlier history of engineering disputes have revealed the fact that a hundred years ago there were proposals for something rather like "joint control." One Works Committee is stated by the Government Blue Book to have met the management "on an average three times a year in the last twenty-four years." The shop stewards' movement in a number of cases had evolved a sort of Works Committee in several districts some years before the war. What happened as the result of the Whitley Report was not the establishment of Works Committees. It was a very different thing, the co-ordination of Works Committees with District Councils and, ultimately, with National Joint Councils. It is not unhealthy that the Works Committees should loom up as the more important; they are nearer to the worker, and on the other hand the worker has felt his distance from the central trade union authority. But in the order of development it cannot be too clearly understood that in the organization of industry the Whitley Report intended National Joint Councils to be prior to District Councils and District Councils to be prior to Works Committees. "In order that Works Committees," says

the Blue Book, "should be formed on lines satisfactory to the national organizations, the [Whitley] Report proposes that the formation of Works Committees should, as far as possible, follow and not precede that of National and District Councils." There are two reasons for this sequence. In the first place, the purpose of the Whitley Report was to aim at a voluntary national organization of industry; in the second place, it was the deliberate intention that this national organization should be based upon a recognition of trade unions. It must not be understood from this summary statement that it was imagined that the trade unions were sufficiently developed to render a uniform and complete scheme possible. "At present," says the Blue Book, "considerations almost diametrically opposite to one another appear to determine the general absence of committees from different groups of industries; in some this would appear to be due to the absence or the weakness of trade union organization, while in others the strength of trade union organization makes Works Committees unnecessary for the purposes which call them into existence in a number of industries." The instance is given of the cotton industry, but already there are signs that some development is looked for beyond the strong district joint committees which are at present the striking feature of the organization of the cotton industry. There have been cases where individual industries in the cotton trade have sought for some articulation even on piece-rates, while the management of holiday funds and social and welfare work provides a machinery which recognizes itself as capable of wider duties. The point to emphasize is that the idea of industrial organization which we owe to the Whitley Committee is based upon a certain development of trade unionism, that it comes to the Works Committee through the District Committee and from the National Committee. The Works Committees—in many and varied forms—existed before the Whitley Report was issued, and in some cases

were attempts to organize workers if not in hostility to trade unionism at any rate in independence of trade unionism. The difference from that date lies in the fact that Works Committees are the local expression of the complete organization of industry and are in no sense attempts to segregate or separate bodies of workers from their main organization. Nevertheless it is true that this newer development may call for some adaptation of trade union machinery. Works Committees will need some range of operation and they will find applications of rate-fixing, or social or welfare work, altogether insufficient. In fact, as matters stand, the chief characteristic of the new organization is its fluidity. In this it differs from the German. It differs from the American in that it has a national structure, but that structure while being firm and definite in itself yet necessitates adaptation and fluidity in the Works Committees which are its local expression, and it is quite possible that when District Committees are properly evolved and their relationship to the National Joint Councils fully devised, so that they will be able constitutionally to influence the National Council or to obtain and perhaps to direct some measure of autonomy for the Works Councils, we shall begin to see the national structure, based upon trade unionism, assume a shape which at present we are unable to conjecture. It is perhaps unfortunate that great industries, such as mining and the iron and steel industries, should not be included in the Whitley system, though they have their own machinery for negotiation.

With this safeguard we may set out to consider Works Committees. They differ widely. Some are based upon joint meetings with the management; others are meetings of workers only, with powers to meet the management when need arises. In some cases discipline is given to the committee whilst in others they are regarded as being no more than the old trade unionism—or shop steward—in a friendlier guise. By the close of 1921 National Councils

were in full swing in sixty industries, including nearly four million workers. They had dealt with wages and conditions, as part of ordinary trade union corporate bargaining, but it has been interesting to observe how other questions have been covered, education, training, output, annual holidays, safety, unemployment insurance, provision for old age. In fact in the vast majority of cases the committee has grown out of the shops' stewards and the shop stewards have themselves developed from being mere guardians of right into being constructive administrators. Usually the decisions must be unanimous but there are cases where a majority vote is accepted as decisive. The principal criticism was based on the assertion that "Labour cannot secure the control of industrial affairs through the agency of a composite body," but the reply is that the word "control" is ambiguous and that if it means "control" irrespective of any other person's rights such control cannot be secured by anybody, nor has it been in the hands of anybody for at least a century.

Sir William Ashley has summed up the position as regards control thus: "The claim to freedom of management, as a bare abstract right based on ownership, is one that cannot be justified by any sound social philosophy; its justification can be based only on the assertions that it conduces to economy of production and that economy of production is in the social interest. Similarly, the claim for joint-control, when put forward as a bare abstract right to which labour is naturally entitled, also leaves out of account other important social interests; it is only justified in the minds of most of those who put it forward as a means to an end—the protection of the standard of living of the skilled artizan." He goes on further to deal with the issue especially as regards skilled and unskilled labour: "A committee, constituted within the industry itself and not imposed upon it from without, might well consider the whole outlook on its labour side; the types of labour likely to be needed in the future and their relative

proportions ; the methods of training, entry upon work, and promotion ; and the extent to which mobility could be made consistent with security. Regarding themselves not as representatives responsible to constituents for whom they were making terms, but as experts bent on diagnosing an industrial situation and examining its technical and its human possibilities, they might at any rate arrive at a more complete view of the problem than anyone possesses now." We can see the working of a complete scheme directed broadly to this end in the English railways, and this scheme has specially authoritative sanction. There are three bodies, the local Departmental Committee, the Sectional Railway Council, and the Railway Council. The Local Departmental Committee is established at any station or centre where the number of regular employees in a department or in a group of grades exceeds seventy-five. The committee consists of four representing the workers and four representing the railway company. The objects, as they are stated, are to provide a means of communication between the employees and the local officials, and to give the employees a wider interest in the conditions under which their work is performed. The range of subjects includes suggestions for the satisfactory arrangement of working hours, breaks, time-recording, questions of physical welfare, safety appliances and the like, holiday arrangements, publicity as regards rules, suggestions for improvement of working and of efficiency. The Sectional Council, with twelve representatives on each side, has powers as regards the local application of national agreements relating to standard salaries, wages, hours of duty, and conditions of services of the grades of employees in the scheme, suggestions as to operating, working, and kindred subjects ; co-operation with a view to increased business, greater efficiency and economy ; the well-being of the staff ; recruitment and terms of service. The Railway Council, with ten representatives on each side, deals with the correlation of the work of the sectional

councils. All the representatives on the Local Departmental Committee must be in the employ of the railway company but as regards the Sectional and the Railway Councils there may be a secretary from outside, and these secretaries may attend any meeting and may take part in the proceedings. This scheme gives full articulation to the workers, though it carefully safeguards the companies against any interference with management and it gives the organized trade unions full opportunity to safeguard their interests. It is probable that in practice it goes even farther than in theory, for except as regards those questions specifically reserved for the Central Wages Board, or National Wages Board there are not many questions in management in which it may be said that the employees are interested which could not be included in an agenda. The procedure adopted strengthens the position of the companies in respect of management. Applications are first submitted by the employees to the company and if the answer which is received within fourteen days does not prove to be satisfactory the case may be referred to the secretary of the employees' side of the Local Committee. This looks more sinister than it really is for it prevents the Local and the Sectional Committees from having to deal with questions which could be readily settled by the company itself. The whole arrangements lend themselves to the frank discussion of any question affecting the workers upon which employees and railway companies are likely to differ. The trade unions enter principally in respect of the Sectional Councils where any difference between the secretaries as to whether a matter shall or shall not be placed on the agenda is referred by the trade unions to the railway company or by the railway company to the trade union.

In the case of the Hans Renold Companies there is a further development. The Workshop Committee is a really administrative body. It is provided with the fullest confidential information. It is in the full confidence of

the directorate. It has evolved such an authority that its decisions are accepted officially, by all trade unions represented in the works. It adds, of course, to the difficulty of management but, as Mr. Charles Renold says : " management is going to be far more difficult in future in any event," and he added that by the Hans Renold scheme " various causes of friction had been removed by the activities of the committee and the acquirement by the worker of a knowledge of difficulties and of the technique of management." Apart from the Council of the Social Union and the Welfare Committee there is the third committee which we have described as the Workshop Committee. It is based upon the shop stewards, elected by the trade unionists. It elects its own chairman and secretary ; is in close touch with the District Committee of the Trade Union ; it has important duties in connection with a most promising profit-sharing scheme. It meets once a month and then sends a list of proposed questions for discussion to the management and the management sends a list in turn and then both sides meet. They sometimes have foremen present, and liberal arrangements have been made to permit the members of the committee through its secretary to consult individual workers. The whole scheme works admirably and seems to be a full justification of the confidence of the firm in its employees. Messrs. Cadbury's scheme is rather complex. It sets out with a clear statement of the advantages to both sides in negotiating with organized labour. The Shop Committee consists of workers' representatives and firm's representatives, the latter being in the proportion of one-half. The workers' representatives are one for every ten workers with a minimum of three and a maximum of twelve. The function of the Shops Committee is to take action where such action is within the authority of the departmental manager or foreman, and he concurs in it, or where the Works Council has delegated executive powers to the Shop Committee. These powers include health, cleanliness,

timekeeping, and discipline, grievances, prevention of waste, of every kind, increasing interest of men in their work and in output, promotion of efficiency by study of technique and processes, guarding against accidents and investigation of accidents, consideration of new and altered processes and their effect upon the shop, education, observance of trade union rules, advice on arriving at and adjusting wages. Decisions which affect any section of the workers are not carried into effect without the consent of the majority of the workers concerned, and in case of deadlock the Works Council is to decide. The Works Council has eight firms' representatives and eight workers' representatives. The firm's representatives include directors, staff, departmental managers or foremen elected by their colleagues. The powers cover a wide area, much on the lines of the Shop Committees but with reference to the works as a whole, and it is empowered to obtain special help from outside, including the help of the trade unions. It is interesting as being a two-committee system, rather like some American experiments. Messrs. Rowntree also have a Departmental Council, with Sectional Councils below and with a Works Council above. It seems to have the primary advantage of safeguarding the foreman, for it is at this point that difficulty usually enters. A very interesting Works Committee for a smaller works has been established by the Horstmann Gear Company, Bristol, with about one hundred employees. It was set up really to handle a bonus scheme proposed by the management, but it deals with other questions, including fines, and is a joint committee meeting monthly. Similarly, Messrs. H. O. Strong & Sons, who used to meet the whole of their workers in a monthly meeting, established a Works Committee to take its place. This, too, is a joint committee, but the staff representation is based upon departmental division. Discipline, interpretation of official orders and of trade union rules, shop conditions, decisions of foremen are within its competence. In its procedure

the Employees' Committee meets first, and if necessary it asks for a joint meeting. "All trade union matters are arranged direct between the management and the union officials," but the questions of interpretation and of application fall to the Works Committee. The curiosity in this scheme is the attempt of a purely staff committee to settle questions before approaching a joint committee.

Another scheme has been set up by Fox Brothers, Wellington, Somerset. Each department elects its representatives, and the committee meets the directors and general manager once a month. The novelty lies in the handling of questions of discipline or wage questions affecting individuals. These must come before the foreman and if he cannot settle them they pass to the manager, and after that the committee and the directors are a final Court of Appeal. This is another noteworthy attempt to prevent the undermining of authority. Usually the discussions are informative, and the committee is encouraged to take a real interest in the administration of the industry as a whole. "The difficulties of connecting the Works Committee with trade unionism as seen by the management are two—the small minority in any union, and the fact that the particular union has nothing in common with the industry; if Works Committees are to be linked with Industrial Councils, which on the work-people's side are formed from the trade unions, some way must be found for isolated establishments to be joined up to the proper unions." This is a statement, apparently from the management, to be found in the *Blue Book*.<sup>\*</sup> It points either to a formidable difficulty or, on the other hand, to the presumption that trade union organization must frankly be the basis and that National and District Committees must be prior in time of establishment to Works Committees, and that there must equally be some organization of employers for the purpose.

The Parkgate Works Joint Trades Committee puts

in the first place among its objects "to strengthen trade union organization in the works." Then it proceeds to define other objects, which include the handling of general questions affecting welfare, the rendering of assistance to branches in sectional disputes, the watching of representation on local bodies in order that "the workmen employed by the firm are not overlooked," and the promotion of closer union of the different trades represented in the works. In this list there is no recognition of a desire for joint control or for "a voice in management." An attempt had been made to establish a committee in 1913 but it obtained little support. Apparently, however, the committee undertakes responsibilities outside the range which the catalogue of objects suggests, for we find discipline as one of the subjects of discussion and the arrest of gambling as one of its achievements. Messrs. Reuben Gaunt & Sons began with a Factory Council composed of two directors and the heads of departments, which acts in an advisory capacity in regard to questions of finance and the like, and its function "is to consider, unify and consolidate the rules and principles of management," making use of the collective experience of its members. As a further extension on the staff side arrangements were made to establish Works Committees, whereby the co-operation of the workers could be obtained in any proposal which the council had made. The peculiarity in these committees is that they are Departmental Conferences, each department electing three representatives by ballot, and the management being represented by the managing director, the departmental manager, and the foreman, but that two persons from outside the department are co-opted to act as neutral representatives for one particular piece of business only. Rules of a simple character are laid down so that all the conferences may act upon the same principle. The management reserves to itself "the allocation of work to particular sets of drawing and the allocation of minders to particular machines." In

a sense the arrangements are reminiscent of some of the schemes adopted in the United States, and some of the phraseology used is close akin to that frequently used in America, such as: "Democratic control of industry can only come when democracy has knowledge and wisdom to assume control. Rightly used, conferences will provide the necessary experience and education for greater responsibility, which will be equally beneficial to all concerned." The separation of the two particular points of discipline is remarkable as it would seem to suggest that a considerable portion of discipline is not reserved by the management. "Promotion and pay shall be as nearly as possible in proportion to merit," but it is not stated by whom the merit is judged.

There can be little doubt that the question of discipline presents a serious problem. On the one hand it seems to be impossible to conduct any sort of discussion with representatives of the staff and yet to maintain a method of discipline which shall regard itself as authoritative by its own right. On the other hand it would seem that those American industries which have handed over discipline to the Staff Committees have been rather in a hurry and have not fully considered what is involved. There are cases in England in which discipline is handed over, that is to say in which clearly-recognized offences are punished by agreed penalties, but this is the simplest portion of general discipline. The trouble really enters in deciding in cases of sullen disrespect or of stubborn attitude, where offences are destructive of morale but do not come within the range of scheduled offences. It is this type of temperamental offence or attitude which becomes more difficult to handle when representatives of the workers share, to a less or greater extent, the responsibilities of administration. There have been many instances where foremen have found the attitude of Works Committees intolerable and where every semblance of authority has been destroyed and, indeed, the question of direct supervision becomes a

very acute problem when such committees are in existence. There is the case in which a worker struck a foreman and was rightly discharged and the Discipline Committee ratified the penalty but decided in favour of restitution after three months. It is hard to say if the foreman's influence was destroyed or increased by this revision of the judgment. A striking contribution to this aspect of discipline is included in the recent concessions made to workers by Messrs. Lever Brothers. "Naturally," said Lord Leverhulme, "if it is just and right to grade men up for good work, it is equally just to grade them down for moderate, insufficient, or careless work, bad timekeeping, or any other indifferent service. Then any man who feels that his grading is not being done fairly to himself should have a right of appeal. It is suggested that, in the first place, the appeal should be made to an independent advisory tribunal selected from the Workers Representative Committee, this tribunal to sit under the chairmanship of Mr. Walton (the head of the Service Department). The foremen, the divisional managers, would make their appeal to the chairman of the Port Sunlight Management Committee. All cases dealt with by the independent advisory tribunal would be forwarded to the Works Control Board, with a recommendation from the independent advisory tribunal. The Works Control Board would decide, and their decision would be final, unless the man decides to appeal still further to the chairman of Lever Brothers, Limited." It cannot be said, as yet, to what extent this negatives the value of the tribunal chosen from the workers' representatives, but it is interesting as showing the hesitation in England to remit discipline finally to the staff representatives. It seems on the whole that no way has yet been discovered of transferring discipline from the proper authority to the committees. If discipline is to mean discipleship it must entail rather more than penalty; it must include the encouragement and the cultivation of qualities and capacities. The nearest

we can find to a reasonable solution lies in the frank discussion of the principles of discipline with the committees while reserving to the competent authority the application of those principles to individual cases. In the case of the Filene Co., of Boston, it is admitted by the management that there have been dismissals which have been reversed by the Arbitration Board and that the Arbitration Board has proved to be right. Thus there may be a necessity for a Court of Appeal, but that Court of Appeal will need to be something more than the Works Committee itself, though it may have a few representatives from the Works Committee, and yet this has not invariably proved to be desirable. We cannot expect to follow the example of the Filene Co. and make an Arbitration Board representative of the workers only. Akin to this is the question of promotion. It is claimed that workers should choose their own foremen, but as yet there are very few instances where this bold step has been taken. It is claimed in other cases that the management should be restricted in the appointment of foremen to a panel drawn up by the Works Committee, but in this case it is obvious that the intention of the panel is to exclude, and there is a danger of this exclusion being used to penalize one particular man who has been rather enthusiastic in the performance of his duty. Much the same is to be said of the suggestions that the workers should have a veto on the management's choice. There are cases where the management gives the reasons for its choice to the committees, trusting to the greater administrative knowledge acquired by the committees to enable this process of persuasion to be successful. It has to be said that the several managements who have adopted this course have declared themselves so far to be satisfied, but it is hardly likely that they have made the same choice in all cases as if they were absolutely free and unfettered. On the whole the evidence points to the need for extreme caution before authority and responsibility in the matters of discipline and promotion are surrendered.

It may be that further mutual trust and further enlightenment on both sides will affect the choice not by the transfer of actual authority so much as by the influence of the spirit of authority. It may be that the two points of view will approach a focus and that the best man from the management's point of view may be the best man from the workers' point of view. Attempts have been made by various ingenious devices to achieve this end. Mr. Rowntree deals with one attempt in his book on "Industrial Unrest." Quoting his own experience he says that at York "the workers, through their representatives, are consulted before a foreman is appointed, but when they have said all they have to say with regard to the person proposed, and have been given the opportunity of suggesting another name, the final decision rests with the management, which however, is not likely deliberately to appoint a foreman to whom genuine objection is shown." That may be regarded as the utmost to which management could go in surrendering its right of choice, but it may result in the selection of rather a tepid type of foreman, not strong enough to be perfectly pleasing to the management nor pliable enough to be perfectly acceptable to all the workers. Yet such a person may get things done. He may not give rise to the re-actions—as the Americans would call them—which are often brought about by the more assertive and, indeed, more efficient type. For all that it is a little disturbing to think that driving force may become to some extent a disadvantage in leadership. Of course all depends on what is meant by a "genuine" objection. The time may come (it has not yet arrived) when the workers will frankly prefer the strong character with infectious energy and keen driving force. That would be a recognition of their interest in the progress of the industry which will include some conception of self-surrender.

It cannot be made too clear that the characteristic of the English industrial organization begins with the National Joint Council for each industry. No doubt the Works

Councils are more prominent in general discussions but that is because their operations are nearer to the lives of the workers and because the relation to centralized trade unions seems to demand clarification. As yet the District Councils are not definitely realized and the complete structure is not before us. The relationship of Works Committees to District Councils is not as clear in all cases as in the case of Messrs. Hans Renold, where the secretary of the Works Committee sends the names of its members to the District Committee of the union to which its member belong, thus giving a very definite link to the District Joint Council. On the whole it is still true, as the Blue Book says, that "the problem of the relations of the District Council and the Works Committee and their relative functions is one which will need to be investigated when measures are being adopted to institute such councils." Nor do these councils necessarily complete the structure. After all they are devolved from the National Joint Council downward within particular industries. Whether or not there should be a General National Council is still a subject for discussion. Such a council for all industry was proposed in 1919 by a very influential Industrial Conference which was summoned by the Government at a time of very serious unrest. This conference appointed a joint committee of sixty members and the report which was presented to the Prime Minister, among other things, proposed "the establishment of a permanent national Industrial Advisory Council of 400 members." Of this proposal nothing has since been heard. It was seriously put forward by a joint committee of employers and trade union representatives summoned together at a time of grave crisis. Again and again the idea is mooted, but no more. Sometimes such a phrase as "Industrial Parliament" is used. Broadly speaking, it seems to be the truth that the real demand is for a better organization of District Councils and for some clearer relationship between them and Works Committees on

the one hand and the National Joint Council on the other hand. Even with the imperfectly developed machinery as it stands much good has been achieved. "It was in the reference to the Joint Industrial Councils of a wide range of matters outside the immediate sphere of the cash nexus that the essential novelty of the Whitley scheme resided; and in this field also, while there is less activity to record, results of considerable promise were secured by certain of the councils. Some of the more general problems of industry—safety and welfare, workmen's compensation, and unemployment insurance, for example—were referred by the Government to the councils as occasion arose . . . The Pottery and Wire Manufacturing Councils also instituted general inquiries into the whole financial position of their industries—a task which must at least have resulted in extending the acquaintance of the workers' representatives with the economic problems of the employers. It cannot, however, be said that the trade union delegates as a whole displayed any remarkable initiative in respect of such matters." That is Mr. Orton's summary of the position. It carries us beyond the vista of the corporate bargaining over wages and conditions. It shows us that, at least, the general organization of industry in England, imperfect though it may be, does contain germs of a fully-developed scheme, adaptable to newer conditions, demanding in turn an educated body of workers and also an enlightened leadership on the part of employers.

## CHAPTER V

### GENERAL TENDENCIES AND INDICATIONS

IN so far as there is a general tendency it is towards joint meetings of employers and employed. The characteristic German theory of Works Councils, being councils of workers only which may occasionally ask to meet the employers, has been shown to be accepted in England, but there is a steady tendency in the direction of making joint meetings the normal and of using the separate meetings of the workers' representatives as being only preparatory to the joint meeting. Similarly, the American systems are tending towards joint meetings, even those of the "Congress" type. There is a further tendency, more significant than appears on the surface, towards regular periodical meetings on a fixed date. With Works Committees of varied types this is coming to be the normal characteristic. It means a more frank recognition of the Works Committee as portion of the administrative machinery; it means the use of that machinery more as a constructive medium than as an organism for the articulation of grievances; it means a step towards the evolution of an industrial organization which will be something more than the haphazard employment of men and women who choose to be employed at a certain fixed wage with no other relationship to bind them and the employer together. Further, there is a steady tendency towards the devolution of greater powers in two directions, both from the management and from the centralized trade union. It is of importance to notice that trade unions are becoming gradually less hostile to the principle of joint committees, and here again it is worthy of notice that the American trade unions are showing less hostility to the method of joint meetings than to the "Congress" method. Probably the development of the District Council as the

link between the Works Committees and the centralized trade union, which is a power on the National Joint Council as it has long been a power in respect of corporate bargaining between the workers in a particular industry as a national body and the employers in that industry as a national body, will do much to remove the fears of the trade unions so that more freedom in respect of local autonomy will be possible. Certainly the District Councils will be able to meet such a criticism as that of Mr. Ordway Tead: "In this scheme of things the Shop Committee will necessarily have a significant place—a place at the base of the pyramid which culminates in joint national industrial councils and in international labour commissions. It cannot permanently be an instrument to thwart labour organization or to entrench the employer more fully in ultimate authority. The Shop Committee can and should, on the contrary, perform one inestimably valuable and immediate function. It should contribute to the building up of a spirit of mutual understanding and personal confidence strong enough to make the transition to bargaining with labour unions a normal and a natural transition in which all values are retained and others added." This is precisely the opposite of the development in England and in Germany, where the Shop Committees or Works Councils are devolved from the central organization and the District Committees, while they may become joint meetings for all the industries in the district, are also composed of elements made up of the same process of devolution. It is hardly conceivable if Works Committees are "the base of the pyramid," that is if they are prior in time, that they will lead, as Mr. Ordway Tead expects, to corporate bargaining. On the contrary since they become well-established before the further development is reached they will be loth to surrender their power of local bargaining and to this extent they will be an obstacle to corporate bargaining for the whole industry. There are signs in the United

States that this is coming to be recognized and that there is some ground for the suspicion that Works Councils are inimical to a complete organization of workers either on a craft or on an industrial basis. On the other hand it is admitted that should District Councils be developed for industry generally we may see a process of evolution which, while it focuses the power of the trade unions, also operates in rendering the trade unions on the grand scale less powerful in that they are more responsive to local opinion. So we should hesitate to say that there is little to be learned from the sporadic and essentially individual and separated movements in the United States. While they do not show signs of building up a general industrial organization yet they may tend all the more to building up district organizations more sensitive to local needs and circumstances, and more capable of meeting those needs. On other grounds the German system is open to criticism. It takes the present organization of trade unions as being final; it allows little room for growth. There is more hope in France with the spirit of co-operation in advance of the form. Without attempting to emphasize any superiority which may appear in the English system it does seem to have the advantage that it is a structure which is yet to be filled in and which offers invitingly full scope to trade unionism. It needs something of the American adaptability, something of the German definiteness of plan, but it needs more of the French spirit. There is something to be said for a sane and restrained paternalism and something to be said for the recognition of the human problem quite frankly as the supreme problem, and as being worthy of the attention of those chiefly responsible for the guidance and the authoritative control of the industry.

The word "control" brings us face to face with the real problem. What is exactly involved in the demand, of which we hear so much, for some "voice in management"? On the one hand it hardly seems to be the case

that the workers wish to bear the responsibility or even a share of the responsibility of management. They know too well what is involved: all the technical questions of purchase of raw materials, sale of finished product, discovery of markets, adaptation of product to the changes in public taste, the complications of machine production, and the infinite complexity of wage questions. What the Italian worker discovered by actual experience they know by unerring instinct. Nor can it be said as yet that the worker has such a respect for trade union leadership as to encourage him to trust that leadership in such a matter as industrial management. The moderate leader may not seem to be sufficiently definitely on the workers' side, and the worker would not dream of ascribing constructive ability to the extremist. The unrest with centralized trade unionism has many forms, and while there is and has been loyalty to the idea of centralized trade unionism it has been loyalty which has not held itself aloof from criticism or even from something very near to mistrust. The shop stewards' movement was an indication not perhaps of general so much as of particular mistrust, and it may be deduced from that movement that any control of individual industries by distant trade union organizations would have been regarded with the same mistrust in the individual industries. Moreover, the present organization of the vast industrial unions would not lend itself to sufficient elasticity in the actual direction of single enterprises as to compare favourably with direction by the owners. Mr. Orton sums up this question of workers' control in a paragraph which seems to hit the mark: "The affairs of modern industry admit of no more bungling from the workers than from any other body; and it is an open question whether, were some unforeseen turn of fortune to saddle the trade unions with the reality of workers' control at short notice, the gain in the sphere of motivation would outweigh for as much as six months the certain loss in practical efficiency." Nor is the idea of joint control any more

feasible. A charter may be constructed, as perhaps is the case in Italy, giving the workers joint control whereby the brains and experience and technical skill of expert management may be used side by side with the intelligent interest of the workers. Such a written constitution, however, in practice may work out as expert control, probably with impaired discipline. It is sad to say so, but it does seem to be true that it is not easy to give the workers in any system of joint control the same perspective as the management side of joint control. The long vision, involving sometimes the immediate sacrifice, is too much to expect. Whatever may be said of the theory of capital as being "won by waiting" and of interest as the reward of abstinence it has to be admitted that labour cannot wait. It is true that the National Industrial Conference Board (U.S.A.) in its 1922 report lays particular stress on the point that by means of the committee system the workers have been persuaded, when it was necessary to do so, to accept lower remuneration and this, in the United States, is not unnaturally regarded as the outstanding merit of the committee system. But there is a real difference between the acceptance of a reduction, "facing the facts," as it were, when all the facts have been revealed, and voluntarily surrendering income in order, for example, to add to reserves or to prepare for a future decline of trade. Clearly joint control of this kind is only joint in name. The management has reserves of strength, either of persuasion or of personality, so that the other party to joint control is convinced with not too much difficulty that what the management does is right. Further, any system of joint control in an individual factory or works is subject to the greater joint control of the trade unions as a whole with employers in the mass, or in the federation. To say this is not to agree with certain writers who aver that corporate bargaining is really joint control. It is nearer the truth to say that corporate bargaining is to some extent a hard

limitation on joint control and leaves little more than welfare control. So that we may say that the rigid constitution of the trade unions as we see it to-day is just as much an obstacle to joint control as it was to management control. This has been proved again and again in the United States. Those systems known as "Industrial Democracy" are really attempts at joint control, and it is quite clear in the report quoted above that Works Committees have proved to be more valuable than systems of "Industrial Democracy" largely because they contain "the elements that will make for gradual and definite growth, and they must be guided and operated by an intelligent and understanding mind." It is a significant discovery, not unlike the discovery which political democracy has made. There is the world of difference between the initiative will of the people and the willing and intelligent assent of the people to the initiative will of a leader. We may be led hastily into the adoption of Works Councils, even compulsorily by legislation, before we have quite realized all the consequences. "Sooner or later," says Mr. Ordway Tead, "and sooner rather than later if the League of Nations ventures to exert control over any economic matters, there will come from the workers an irresistible demand to be admitted to deliberations where decisions affecting raw materials are being made. And with that slight but far-reaching addition to the statement of joint powers will come an accumulation of responsibility and power for the council which will raise it to a place of determining influence in industry . . . Employers must understand, then, that in their plans of employees' representation they are not merely creating an organ of orderly adjustment and amicable co-operation. They are giving play to impulses of self-direction, leadership, and assertiveness in their workers, which will not stop at some point which the employer has arbitrarily set in his own mind. They are creating machinery in the operation of which the workers will inevitably come to

see how closely their destinies are linked up with problems of tariffs, sources of raw material, unit costs of production, and all the other elements." It may be that this is unduly apprehensive but it needs to be stated and needs to be faced. We are attracted *prima facie* by the newer methods of staff management, largely on humane grounds, but we must not overlook their economic implications. On the other hand it may be that management itself may gain by a greater insight into its methods by the workers. They see the day-by-day waste, and they are able to study the interest of the management in economies in method in comparison with its interest in economy of remuneration. They see the failures to adapt organization to actualities ; they know the deficiencies of persons in authority and all this may put management to a useful test. We may rest assured that the councils will not ultimately be content to study wages and conditions of work and the pressure of immediate grievances ; we may be confident that the workers will discover the close bearing of efficient management upon their reward and upon their lives in the industry. A healthy and constructive opposition bench may be as useful in industry as in politics. More than that—as we shall see later—the demand for District Councils may evolve some basic conditions for industry generally which will provide a healthy beginning for a true organization of industry. Those who are fearful lest these tendencies should lead to a revolution may take heart. It may be the case that in full sympathy with the characteristics of progress in England we are face to face with vast changes which are as silent as the English social revolution and the effects of which are almost invisible. On the other hand the gradual advance, step by step, has brought with it the sense of responsibility as well as the sense of possession. The Chartist Petition of 1838 contained the striking clause : " We tell your honourable house that the capital of the master must no longer be deprived of its due profit ; that the labour of the workman

must no longer be deprived of its due reward." In fact it may reasonably be urged that if this widened conception of "control"—however vaguely we may define it—is to produce the best results it will only be by means of the fullest enlightenment. It is ignorance which has led to suspicion. The French proverb will apply to the direction of industry as to other things, *tout comprendre c'est tout pardonner*. We need have little fear of the introduction of a scheme such as is being suggested in Italy for the gradual expropriation of the owners by a seizure of a percentage of the profits. Not so is skill and enterprise to be rewarded, and that fact will be the first fact to be recognized.

Yet the demand for control, though I would claim that it does not mean what it is popularly supposed to mean, has a real meaning. That meaning, as is often the case, can best be discovered by a broad view of some historical facts. The control of industry has come to mean the government of the lives of the workers by those who own the industry, not necessarily because they are wise or insightful but just because they own. This was more evident with the personal ownership in the past by those who managed the industry, but though it was more evident it was less irksome since direct personal contact did much to ease down friction and to check envy. Ownership and control which had nothing—and could have nothing—of direct personal contact proved to be more oppressive. It is true that in respect of wages and conditions generally this oppression was checked by corporate bargaining. Nevertheless, as Professor Harry Jones says, the problem remained in the workshop. A vague aspiration towards something other than the present arrangement was evident. Some theorists called that aspiration an effort towards "the downfall of the capitalistic system." Others claimed that it pointed to a demand for autonomous guilds of producers. Others claimed joint control in that the contribution of labour was equivalent to the contribution

of capital. But all the evidence that can be adduced merely pointed to a sense of irksomeness under control and to a demand for something which might be direction and might be enlightened management, but which should not be mere domination. It might seem that the yearning was for some sense of mutuality which would go behind the development of the industrial revolution in which adventurous enterprise was based upon ownership and employment was governed by the early principle of obtaining labour at bare subsistence price. It was not necessarily a movement forward in time. In so far as it had dreams of a golden day that day lay as much behind as before. Thus we can see the merits of French paternalism and why it is that any claim for control on the part of the workers in France has not been put forward in respect of individual industries. For the truth is that throughout the industrial revolution the French employer has retained an admirable attitude. Even where the method of personal management was introduced it was always representative of the management at the top and was not a mere device to cover the ill-considered policy of washing hands of responsibility. Thus, too, we can understand Bismarck's prescience. He saw this movement afar off. He proposed to meet it by an Industrial Parliament functioning side by side with the legislature. With true loyalty to his theory of centralized authority, if workers and employers met at all, they should meet at the centre of the State where the whole organization of the State could keep the not undangerous fusion in check. Here, too, we can fit in the strange sporadic movements in America. The labour problem in America is still affected by the mixture of immigrants, and consequently is less articulate. We have claimed that the movement towards a "voice in management" is not defined, but this is even more characteristic of American industry than of industry in Europe. The owners and employers have seen the movement afar off and have accepted the phrase "Industrial

Democracy" at its face value without realizing that in Europe it means a definite assault upon the position of the capitalist. It is not unjust to say that the American schemes were devised rather to prevent than to satisfy the demand. They were faulty in their psychology, but the reason for this was that they were evolved somewhat hurriedly on the discovery that scientific management, so-called, was about to be a disappointment. Accordingly we need not be surprised that there has been a steadying movement and that joint committees of various kinds, sometimes meeting separately and then jointly, sometimes separate in constitution but meeting jointly by delegation, have been more favourably regarded and are now in operation in some 700 industries. It can be claimed for these committees that they do give articulation to the worker and a share in authority just sufficient to check domination. The schemes which went farther fared worse. We shall see presently that the philosophy of the Whitley Report includes an important principle which has not been recognized in America.

There is another factor which has had far more influence than is generally understood. It has been indicated that the workers see the inefficient side of management. A report has been issued in America by the American Federated Engineering Society. It is called "Waste in Industry," and it is an amazing revelation. Inefficient management, lack of foresight and planning, lack of standardization of tools and equipment, inadequate cost control at various stages, lack of research work and waste of material and of labour—this is the gravamen of a report not by labour but by experts. The "labour turnover," that is the interchange of workmen between industry and industry, amounts to stupendous figures, in one case it is 300 per cent of the total number employed, that is for each man on the pay-roll there were three changes in the year. This is precisely the evil for which Mr. Ford set out to find a remedy. The investigators say that there

must be some elevation of the responsibility of the workers in order that this waste may be checked. The workers reply: "We knew it all along; we have always known it. No one bothered to consult us." This is a far sounder reason than any other for giving labour some "voice in management." It is worthy of notice that up to the present there have not been many indications that labour is determined to use the committee system to this end. That may be because it is not yet realized how valuable an organization it is for the checking of waste. Moreover, for long years now the workers have become accustomed to this waste. It is an old aphorism that "no democracy respects its government." It may be true that there are singularly few bodies of workers who really respect the management. It may be that management which will have no waste, which will be above the criticism of the workers, is management by supermen indeed. That can be granted and yet all that it means is that in the ordinary case the worker has had some occasion for his criticism. When the management of a belt industry in Illinois handed over discipline to the staff, one of the staff representatives on the committee asked who was to punish the administrative and technical staff for inefficiencies. It is a pertinent question, though there is an answer in that inefficiencies of management on the wider plane are punished and punished severely. "Works Councils," says the report of the National Industrial Conference Board, "that have been properly conceived, introduced and conducted have proved a valuable aid in gaining the confidence and goodwill of employees and thus in improving production, reducing labour turnover and other waste, and generally in benefiting alike all those engaged in the common enterprise." We may learn something from an Austrian story. A certain labour leader was attacking the employers for a reduction of wages. "We can show them," he said, "where they can pick up ten times the amount they have saved. Our wages are lost by dull files." There are few industries

indeed which could stand the searchlight of a precise examination of its appliances. A large company in New York saved tens of thousands of dollars annually by abolishing inkpots, with their wasteful deposits, and giving each worker a fountain pen. There are many aspects of competition but not the least in value is the competition which an industry may make with itself. That leads to true progress. It is worth stating at this point that in the comparatively small problem of suggestions from the workers there is a curious difficulty which is remarkably general. Even the sight of grave waste does not induce them to suggest improvements. Methods, of bonuses and rewards for suggestions have not been effective. The fact is that the individual worker who does make a suggestion is apt to be unpopular with his fellows. They are afraid that legitimate suggestions as regards waste may lead to economies which will affect remuneration or will substitute either improved machines or improved methods for human labour. The Zeiss Glass Company, in order to foster suggestions, had to introduce a system whereby suggestions would be sent in under a pen-name or a motto, the real name being known only to the management, but this was open to the criticism that it emphasized the sense of disloyalty involved in making suggestions or at least it might be so interpreted. Anything of the nature of joint committees tends to achieve something in this direction and it is a uniform experience that where such committees are working at all satisfactorily there have been suggestions from the workers.

Once again it must be said that where there are indisputably successful joint committees they come at the end of a process of devolution. This is the central characteristic of the development in England. We have seen that there has been some reason to believe, in those cases where the Works Committees are not the result of a process of devolution, that the committee system may be used as a weapon against trade unions, sometimes with a little

subtlety, sometimes with open frankness, sometimes with the intention of barely keeping in touch with the organized unions by means of including trade union representatives on the committee, but going no farther. Consequently organized labour in the main has regarded the committee system generally with suspicion when there has not been a process of devolution, and occasionally with direct disfavour, though in the 700 instances of committees in the United States there are cases where organized labour has come to see some prospect of advance. But the English system begins with organized labour. The true basis is the National Joint Council, with headquarters' labour representation, and the structure then proceeds to the District Joint Committee, with local labour representation, and lastly to the Works Committees. It is dangerous to speak of the Works Committee as the foundation of the pyramid for with centralized trade unionism as it is there can be no suggestion of the actual authority of the centralized trade union coming upwards from the Works Committees as units. Thus it can be said that while the representative authority comes upward by means of the ordinary trade union organization, yet the authority of the Works Committees, as organized or operative, comes by a process of devolution from the centre. It is quite possible that this will occasion an inflexibility which will hamper the machinery, and an analysis of the tendencies must lead to a recognition of the fact that the trade union machinery needs yet to be adapted to the newer method. In Germany the structure seems to be taking the shape of a society composed partly of workers and partly of employers which will have considerable representation on the Federal Economic Council. The Alliance of Employers and Employed in England may have a similar function. The District Committees which are now being established in Germany will probably provide for some common ground between this society and trade unions. In England the District Committees while being

effective in many instances in their somewhat narrow sphere have not yet developed so as to have a really separate function in the organization. As it stands they are local shadows, so to speak, of the National Joint Council. It may be that the flexibility and adaptability which are needed if the system is to be developed, and the representation of the consumer which in some way or other must be included, will arise in the District Committee. In short, so far as one can conjecture, it seems to be likely that the District Committee will become a much more important function in the organization. It may be said that this will modify competition, and probably this is true. It raises one of the most difficult problems of the immediate future. Every attempt to organize industry must operate to some extent in checking competition. If competition is the only safeguard for the consumer and the only guarantee of efficiency then it is clear that to the extent that organization of any kind checks competition it is at the cost—or may be at the cost—of the consumer or of efficiency. Nevertheless, it is neither District Committees nor Works Committees which have brought this about. Every federation of employers and every union of workers is to some extent a check on competition; the vertical trust, which is both producer and consumer, is itself an assault on competition. The point to be considered in respect of District Committees and National Joint Committees is not whether they do or do not check competition, for that has been brought about by the vast organizations of the employer and the employed, but whether they open the way for a fresh consideration of the relation of the producer to the consumer. Without attempting to force this fresh consideration to a premature conclusion it certainly seems to be likely that the District Committee will open the way to the provision of a suitable machinery for the representation of both aspects of production and equally of distribution and consumption.

It is clear that if this method of controlling industry

is to develop it will need human agents on both sides who have had some special training for the new function. It has been discovered already that on the workers' side there is a need for real knowledge on the part of the representatives. Various schemes are in process to provide the special training. That training need not necessarily be academic in type, but it will certainly need that sharpening and balancing of the faculties for which an academic training would seem to be essential. Indeed, some of the criticisms of the committee system, especially in America, have been based upon the presumption that since the owners and employers have had the best opportunity of mental training they will always have the best of the discussions no matter how strong against them the case may be. To this again it may be replied that it is not an unhealthy discipline for the minds of the workers that they should be taught to realize that in management there is a need for highly trained intellect and that this may give a stimulus to a demand for opportunities of higher education. Further, even if no greater claim can be made for the committee system, it is of no little value if it leads to a general recognition that the process must be in the realm of the intellect and must be conducted by weapons of cold reasoning. This claim may be stated even more strongly. Mr. Bowie points the argument in a convincing way: "If educational facilities and financial inducements are not sufficient to lead the worker to become a capital holder, no mere donating of the shares, even on a profit-sharing basis, will avail. The main thing is to prepare the worker by leading him to desire and to sacrifice for his new and higher status. Only by education can the worker climb socially and by co-partnership industrially. These fundamental things achieved it follows naturally that the workers can safely become co-managers and co-directors with capital owners in the field of industry." It will be a hard struggle and, by the nature of the case, it will be an up-hill struggle. It will call for the surrender of many vested interests,

not least among them some of the vested interests of trade unionism. For it sets out to let personality free for its own development, and for some years we have seen personality chafing against the bars. Naturally enough there will be disinclination against such a surrender. It will be very difficult to persuade the workers to step backward in order that they may leap forward. Throughout history that has ever been the most difficult lesson to learn. The more we trust to a devolution of powers from the central organizations to the District Committees and thence to the Works Committees the more we ask the central organizations to surrender some of their authoritative power. "The respective societies are in the main defensive rather than constructive," and we are setting out to ask them to be constructive. To give the District and Works Committees any powers at all must be to subtract from the central organizations, and those who are the most hopeful for this development have good reason to be the most anxious lest the central organizations should prove to be too little flexible and adaptable to the new conditions. It may be that this may seem to lend some colour to the suggestion that all these movements at heart are hostile to trade unionism and this may be supported to some extent by experience in America with the different kinds of committees which have been described in these pages. We must take the risk of this, for nothing is to be gained by masking the difficulties and the dangers, but we shall do well to remind ourselves that we are basing our structure upon the organization both of employers and of workers, and that it may be the case that subtracting from the power and the authority at one end in order to add to the power and authority at the other end may be an expansion of authority and, at the same time, an expansion of the intelligent appreciation of responsible authority and a deepening of its influence and an intensification of its adaptability. Those who complain of the lack of seriousness of the workers, of their flighty tastes and evanescent joys

will do well to consider the influence which added responsibility may exercise. That responsibility will have to be felt "all down the line" for there is a limit to the value of the representative theory in industry. The results are too near and too intimate for the worker to resign all interest and to hand over all his thought and his experience to his leaders for them to fashion into policy. At the same time there may be a fallacy in the parallel which is constantly drawn between political and industrial representation. A weekly journal understood to be especially sympathetic to trade unions points the danger: "The trade union will have to consider not the most democratic but the best way of doing the work it sets out to accomplish. It will have to consider the necessity for real leadership as the condition of effective corporate action and it will be driven to pay far more attention to the problem of choosing its leaders and selecting the right man for the job." Similarly, on the other hand, there is a danger lest certain industrial devices should come to be regarded as the whims of philanthropic employers. This danger affects, in particular, those schemes which are adopted in individual industries. The organization of District Committees on a more inclusive scale may be the best way in which this danger can be met, for by means of these committees it may be made clear to the leaders of individual industries that there are practical and economic as well as sentimental reasons for something in the direction of what may be called "joint" structure. It is not mere philanthropy or benevolence which would lead us to urge that we are not prepared to let industry be an end to itself. It must have a further end, if it is to be worthy of building up human character. These things have to be said, but they must not be understood as having reference only to the workers. It is equally true that for the new relationship the owners and employers and managers also need training. The Germans have already begun to provide special training for the Works

Councils, and there are movements in England having the same object. It is one thing to manage an industry, free from criticism, keeping the reasons closely locked up in one's breast. It needs no great endowment to be a tyrant. To be able to explain the reasons for action, to be compelled to look at every possible course of action from many different angles, to find oneself under the sense of moral duty of frankly recounting all the circumstances and detailing all the financial factors in the case is to call for a very special equipment, and for a temperament which is equally as strong when it gives way to the force of honest argument as it is when it holds, with equal honesty, to its own point of view. A remarkable instance is given in the report of the National Industrial Conference Board. A certain industry was governed by a council on the employers' side and a committee on the workers' side. "At the end of 1919 the superintendent appointed the year before by the council was demoted by it and the assistant manager was made superintendent. The former superintendent returned to his position as foreman of the mechanical department. Before his advancement to the superintendency he had been head of that department. He accepted his demotion in good spirit. Since his return to his old department he has done better work than before. The employee who had been foreman of the mechanical department during 1919 became a member of the rank and file as the former superintendent took his place. He, also, took the change in good spirit." This is a singular instance of a group of men on the employing side who found that their capacities were insufficient for the task. It is hardly to be expected that "demotion" will often be accepted in good spirit and, obviously, the task before us is to provide in some way or other for the future managers to be given some training which will be directly helpful to them for the new human relationship. They will need technical skill for their task, for initially they must be respected as masters of the work, but over and

beyond this they will need to have an intimate knowledge of that kind of psychology which is based upon a humanistic outlook on human nature. That outlook will be neither vaguely kind nor sentimentally weak. It will probably be widened by an acquaintance with the records of the history of the world, from the time of Greece until to-day. It will be cultured and sane, enlightened and practical, wise and wistful.

We are now able to come a little nearer to a definition of "control." We can reach that definition by finding something of a common ground in the various systems which we have described. We can safeguard our definition by avoiding the outstanding deficiencies of each system so far as we are able to assure ourselves that what seem to be outstanding deficiencies are not due to prejudice on our part or to inaccuracies of judgment. The varied systems in the United States would tell us of the insurmountable difficulty of trying to evade the claims of organized labour. The attempt has been made in all sorts of ways, from the complex method of so-called "Industrial Democracy," with its Congresses and Senates and Cabinets, down to the crudest sharing of profits without any enlightenment of the recipients as to the basis on which they are shared. There are many varieties in between, but it seems to be true that the greatest promise of permanent success lies with the schemes which have taken into account the existence of organized labour. It is almost invariably the case that the extent to which the recognition of organized labour comes within the actual constitution of the committee or council indicates the reliance which is placed upon the scheme, for many of these American schemes are being worked anxiously from day to day as if they were bold experiments which might have unexpected results at any moment. In France we see the paternal spirit most evident and the visible organization least evident. There is some reason to believe that when some scheme for industrial organization is generally recognized

in France it will probably be more spiritually effective than any scheme we have yet seen. It is this which we learn from France. From Germany we learn the other lesson. There is organization, there is the recognition of labour, but there is too ready a tendency to believe and, indeed, to argue that the final form of the organization either has been reached or is in sight. It is interesting to compare this with Italy, where certain principles have been reached and where there is a curious hesitancy, almost amounting to timidity, in adopting any scheme to crystallize those principles and where the rival schemes at present put forward differ astonishingly, one of them going so far as to provide a slow process of expropriation of owners. From all this we are able to gather together data which will furnish us with something of a philosophy of Whitley Councils. We shall be able to see something of the fundamental principles of that philosophy. They will not destroy management or control; they will make management or control into the focusing point, intelligently realized, of enlightenment and influence coming from various directions. They will not despise the past; rather will they build on the past and set out to make the best and even to adapt various organizations which have grown up through the conflicts of the ages. They will not presume to be a crystallized system; rather they will be fluid and adaptable and sensitive to new human needs as they arise and to newer articulations of those needs. They will develop fellowship not directly as an end in itself, for fellowship is a delicate plant which is sensitive to cultivation, and withers under over-cultivation, but they will find that in the atmosphere of truth and candour and true mutuality there is much to be taught and more to be learned. In this way we may find the principles, not claiming that we have discovered the full truth but trusting that we have found a basis for fuller truth. The tide at the moment is turning against profit-sharing, and in some measure co-partnership as understood hitherto

is falling into disfavour. Maybe this is because we have tried the schemes without the spirit. There is more than a likelihood that a committee system, soundly devolved from a central organization and with District Committees to give it full contact with all similar ventures in its neighbourhood, may be able to give a foundation to profit-sharing and co-partnership such as those methods of cash-nexus have lacked hitherto. A 'sharing' of profits based upon the experience of a Works Committee and upon the gradually deepening mutual understanding of the two sides of such a committee is inaugurated under conditions far more favourable than the conditions under which such schemes have been inaugurated hitherto. It will open the way for a frank discussion of the details of the schemes with a spirit of co-operation already inspiring the movement. That will give the inauguration an advantage which will be of the utmost value, for one of the difficulties incidental to profit-sharing and co-partnership in the past has been that the schemes have been viewed with initial suspicion as coming from the employers' side and any little disappointment which has arisen afterwards has been regarded as confirmatory of the original suspicion. We cannot claim that an improved cash-nexus will solve the industrial problem, neither can we claim that any improved mutual relationship will find a solution unless it has some regard to the cash-nexus. If organization is worth the name it must make the work of each worker more effective, and the deduction is obvious. We have wrung our hands at the decay of craftsmanship. It may be that the new art of corporate craftsmanship is yet to be discovered and that it will come from the new fellowship which will be evolved by the further process, possibly a painful process, of the development of industrial organization. Messrs. Fleming and Brocklehurst, in *Industrial Administration*, have given us the true vision. "One may hope ultimately to find adopted means whereby representatives of workers can be kept informed of the business

and other phases of the organization of a concern so that the real problem of producing efficiently can exercise the full efforts of both management and labour and an end be made of the internal friction between the two parties which diverts much effort from constructive work." It will need courage, especially that courage which is not downhearted at the first disappointment and is ready to understand that the blunders of the centuries are not set right in a moment. All we are seeking is a foundation.

It is in this matter of "corporate craftsmanship," as I have called it, that the future problem lies. Mr. Ford has recently boasted of the lack of organization in his factory, but it is to be pointed out that he realizes the need for checking the over-domination of certain types of foreman, and that very check, whatever it may be called, is something in the way of organization. It is evident, too, that the need of "corporate craftsmanship" finds no place in his schemes. The linking of individuals by machinery bringing the individual work to individuals, may not reveal its insufficiency where it is assisted by high wages. But for all that, it is insufficient. The industrial architects will find just as much scope for the exercise of their taste and skill and knowledge as the architects of cathedrals and vast city buildings, but the one main essential will be that the building is well-lighted and airy and that it shall contain no dark corners. We come back really to the precious thought which was given to us by the Greeks. It was Aristotle who taught us that man in organized societies, in the city or the nation, afforded scope for the realization of something more noble and divine. "Each individual man realizes himself," says Professor Stewart, the illuminating commentator on Aristotle, "only by looking away from his own particularity and assimilating into his consciousness the form of man's reason as other examples—his friends and fellow-citizens—by their cumulative influence impress it more purely upon him. The great embodiment of human reason,

the social order into which he has been born, exists independently of himself . . . To contemplate, and in contemplating to identify himself with, is a thing which a man can do almost continuously because his *ὁυσία* or *φύσις* is to be a person who sees himself in others and lives in others." It is an inspiring thing to reflect that perhaps in the next stage of development our aggregations in industrial forms will themselves encourage the social self and build up the individual man to a new fineness of character and to a deeper devotion to his fellows.

## 'CHAPTER VI

### LEGISLATION OR EVOLUTION

It is a fundamental question to what extent legislation should be brought into play to crystallize an industrial structure. If by analysis of the varying types of industrial structure throughout the world which give some hope of efficient working and of loyal co-operation, we can discover some common ground, it might be said that at least this common ground should be secured by the legislative process. The argument can be based upon the legislation which provided a structure for limited liability companies, and it might claim that if it was wise to protect investors by law in 1855 by recognizing the structure of limited liability companies, and progressively necessary to consolidate the various Acts, it might reasonably be necessary seventy years afterwards to recognize the form and structure of such companies in order to provide if not protection at any rate articulation for the workers. On the other hand, it may be argued that evolution without legislation will achieve the end more securely than legislation, and that if a satisfactory industrial structure should begin to appear as a result of study and research all over the world there will be little difficulty in persuading owners and managers to adopt it, since it will have been proved to be to their own interest. On this point we may compare experiences in the United States and in Europe. The adoption of the various devices in the United States have been frankly in the individual interest of individual industries. There has been no thought of a national structure, and though there are signs of a realization that without some national structure there is a lack of parallel in the progress of the different schemes, yet so far as a demand has arisen it has been rather for district than for national or federal organization. In England the motive

has been less narrow, largely because whatever individual schemes have been adopted there is always the national organization as its basis, so that it cannot justly be said that the adoption of Works Committees has been primarily in the self-interest of the individual firm. In France, as we have seen, attempts have been made to legislate for labour representation as part of the law governing limited liability companies, but it can hardly be said to have succeeded, largely because it regarded the financial structure as the main structure and fitted a small labour representation into that structure. In Germany we see the other extreme. It has been legislation all through. Works Councils were enjoyed by legislation; the Federal and the District Councils, so far as they are developed, are the product of legislation. In Canada we can see something of a middle course. There is to be a department under the Ministry of Labour which will compile data on the subject of councils, which will watch the progress in different countries, and "will maintain officers who would be available to give assistance and act as liaison officers between employers and workers where desire is expressed to create such councils." This possibly goes a shade farther than in England where the Industrial Councils are recognized, but where they are "within very wide limits able to determine their own functions, machinery, and methods of working." It is true that a request was made to the leading employers' associations and trade unions in 1917 to "consider the question of carrying out the recommendations of the Report" and that at the same time there was an offer of "the services of the Ministry of Labour to give every assistance and to be represented in a consultative capacity at the preliminary meetings." It is a thin line between this and the Canadian offer of, presumably, permanent liaison officers, but there is a real distinction. At any rate, the attitude in both instances is widely different from the legislative mandatory attitude which has been adopted in Germany. There is

a little difference in the second type of industrial council in England in which the organizations on either side are less definitely developed. In this case there is a more positive recognition of the place of Government officials in the constitution, but even here they are helpful towards the success of the council rather than positively a legislative part of the council. Clause 21 of the Whitley Report does meditate legislation : " it may be desirable at some later stage for the State to give the sanction of law to agreements made by the councils, but the initiative in this direction should come from the councils themselves." Thus it preserves the voluntary principle in the establishment of the councils.

It is attractive, at the outset, to trust to voluntary development, especially if enthusiasm is kindled a little by authoritative injunctions. Yet the thought must have crossed many minds that we have slender reason for trusting the voluntary principle. Those who believe in profit-sharing are always anxious to make it compulsory. There is a tendency, too, in the direction of making arbitration compulsory. Looking back on the history of the past there have been many disappointments. Even in the matter of shop hours, which certainly seemed to be a suitable field for voluntary acceptance of a generally-recognized principle, compulsory legislation proved to be inevitable. Nor is experience of the extremely varied voluntary schemes in the United States at all encouraging. Schemes have been tried and modified and re-shaped and finally discarded. There cannot be said to be even a trace of any central evolving plan. Even the Government assistance which is in operation in Canada has led to much more homogeneity than in the United States. There have been authoritative committees in the United States. One committee in 1919 visited Great Britain to study the methods of dealing with the problems of reconstruction and especially the various aspects of industry as a result of the Whitley Report. As a result of this an Industrial

Conference, called together by President Wilson in January, 1920, reported that "the guiding thought of the conference has been that the right relationship between employer and employee can be best promoted by the deliberate organization of that relationship. That organization should provide for the joint action of managers and employees in dealing with their common interests. It should emphasize the responsibility of managers to know men at least as intimately as they know materials, and the right and duty of employees to have a knowledge of the industry, its processes and policies. Employees need to understand their relation to the joint endeavour so that they may once more have a creative interest in their work." There, again, we are face to face with fine distinctions. The word "control" makes no entry and there is no suggestion of "a voice in management." We have noticed that there is a fine distinction between the proposals in Canada and in England in respect of the relationship of Government departments to the joint committees, and we may now notice an equally fine distinction between the suggestion of the Whitley Committee in England and the Industrial Conference in the United States. Though there is no suggestion of joint control in the report of the Whitley Committee, yet it does suggest that there shall be "co-operation in carrying new ideas into effect and full consideration of the workpeople's point of view in relation to them," and this clearly goes farther in giving initiative to the workers than the comparative passivity suggested in the American report whereby the workers "may once more have a creative interest" by means of a fuller understanding. Moreover, the American report regards the individual industry as the unit basis whereas the Whitley Report recognizes the organization of labour, and in the letter from the Ministry of Labour dated the 20th October, 1917, it is even suggested that "in some industries it may be considered by both employers and employed that a system of Works Committees is

unnecessary owing to the perfection of the arrangements already in operation for dealing with the difficulties arising in particular works between the management and the trade union officials." The emphasis on districts in the Whitley Report is very striking and brings us nearer to a formal organization of industry as a whole rather than a pragmatic device to enable ownership and workers in individual industries the better to understand each other. In short, the American report does not recognize the organization either of employers or of labour as portion of the proposed organization, while the English proposals are actually based upon the organization of employers and of labour. Thus the former is purely voluntary; the latter tends a little in the direction of authoritative organization, though falling short of statutory organizations.

Several proposals have been made with the object of ensuring the representation of workpeople on Boards of Directors. In France legislation has been passed to that end, providing for a separate organization under which every limited liability company may create, by the side of the ordinary organization of capital, another organization to deal with what are called *actions-travail*, which will be shares allotted gratuitously to the workers in the industry, conferring the same rights as ordinary shares but with the difference of being the property of the workers collectively in the form of a co-operative society which will distribute the dividends as it decides. This arrangement is open to the serious criticism that in no sense does it include the workers in interest in management; it only includes them in participation. M. Gide says that the workers are difficult to persuade to become shareholders, and he doubts the wisdom of making them shareholders by compulsion, that is by the management deciding that they shall be shareholders. There are obvious difficulties in making the workers shareholders in the ordinary sense and in conferring all the rights of shareholders

upon them, since their point of view is essentially different, and it was this difference which the French law attempted to meet. Oddly enough, though we should say that this separate organization failed in not giving the workers any share in management or any "voice" in management, the French employers regarded it with apprehension as leading to some diminution in their authoritative control. In Germany the Acts to which allusion has been made provide that "where there is a Board of Control one or two members of the Works Council shall be deputed to serve on the Board with full voting rights." This has not achieved any particular results. It is very difficult to obtain authoritative data since the influence of this isolated aspect of the general movement cannot well be distinguished from the influence of the Works Council, and we have to content ourselves with the general opinion that it is not regarded as being of much more than theoretical value. The workpeople regard themselves as so hopelessly out-voted on the Board that representation is of little practical value and really becomes merely the acceptance of a claim to "a share" in control, just as certain officials are called upon to have *one* share in the capital. In so far, therefore, as we are to find some sphere in which legislation may operate to bring about an industrial structure in which there will be truer co-operation between what still remain as the two sides, more or less antagonistic, there is clear evidence that it will not be brought about by means of compulsory or permissive representation of the workers on Boards of Directors.

• Some thinkers have made the bolder suggestion that it is to be brought about by means of an Industrial Parliament. This suggestion is more wide-reaching than is generally supposed. There is, of course, something to be said for the claim that when the land was the only industry the House of Lords was in effect a functional Parliament side by side with the House of Commons as based upon territorial representation. The parallel hardly stands the

test of examination. The House of Lords represented not so much the function, as a function, but the social prestige which attached from feudal days to that function. It is not easy to see how any functional Parliament could exist without in some way impinging upon the responsibilities and the powers of the Legislative Parliament. As time goes on an increased portion of legislation is concerned with industry. Nor has it ever been carefully thought put to what extent an Industrial Parliament would have powers of its own. In Germany there is a wide difference of opinion on this subject and those who press for actual initiative and legislative powers to be given to the Federal Economic Council are not those, in the main, who have high respect for the parliamentary system as based on general representation, but rather those who wish to see some evolution in the direction of Guilds or, at any rate, in the direction of control by the producers themselves. By some instinct the English-speaking race foresees much the same difficulty. It is obviously easy to say that the Industrial Parliament should be merely advisory, that it should be a gathering of experts to give its special contribution to industrial questions from both sides of the eternal issue, and should be contented with such powers. Apart from the question whether such a limitation could possibly be permanent there is the further question whether an Industrial Parliament which was merely advisory could do more than incite the Legislative Parliament to be one-sided, from the point of view of the consumer at large, to all projects. It would certainly be suspicious of any agreement which might be reached by the two sides of an Economic or Industrial Parliament, and this suspicion might lead to a basic hostility between the two Houses. The question of a second chamber is not solved by making the second chamber an industrial chamber and merely advisory. Further, the relationship of the State to industry must be administrative as well as legislative, and it is hardly conceivable that if powers

were given to an Industrial Parliament that body would be content to stand aside and allow all the administration of industrial questions to be carried out under the direction of the rival body. Administration, of its essence, must have regard to the welfare of citizens as a whole, and manifestly an Industrial Parliament—as Germany has discovered—finds that much of its possible achievement is robbed of its direct authority by the fact that in the administration of the law regard is had only to the domination of the legislative body. Lastly, there has been very little expression of public disappointment at the failure to establish a central Joint Council for all industry, as was proposed by the Joint Industrial Conference. Nothing more has been heard of that proposal, and it is hard to believe that if there were any deep-lying preference for such a device in addition to a Legislative Parliament of two Houses the refusal to take action as recommended by such an influential body would have been taken so quietly by the public or by the trade unions or by the employers. We may sum up, therefore, that there seems to be no likelihood of any movement, having as its object the fashioning of an industrial structure, taking the shape of a claim for an Industrial Parliament.

Nor at the other pole is there a likelihood of an agitation for legislation in favour of Works Committees. It is taken for granted that such committees are likely to succeed in proportion as they are the result of a spontaneous voluntary movement. That may be true, but if it is to be taken as a reason for not compelling all industries to have Works Committees it is to be examined carefully as it may have wider implications than we suppose. Temperance, for example, is likely to be successful in proportion as it is the result of a voluntary exercise of will, but no one would leap to the conclusion from this that there should not be restrictive legislation of some sort in respect of the sale of intoxicating liquor. In short, law is for behoof of the weaker brethren. Few of us spend our days in

trembling fear of the police, but that is no reason for withdrawing the police force. If law is necessary to compel certain among us to conform to conduct which the majority would voluntarily adopt then it might reasonably be claimed that a legal and compulsory Works Council is needed most in those individual industries where there is the least moral stimulus in the direction of establishing a Works Council. In other words, the fact that there is such a moral stimulus in itself goes a long way towards rendering the machinery unnecessary, for already there is the spirit of potential co-operation. For other reasons, although the total number of workers covered by the joint bodies of all kinds is about three and a half millions—as shown in the trades union congress book on “Industrial Negotiations”—there are vast sections of workers, such as miners, iron and steel workers, and cotton workers, all highly organized, who are not included in the system and have other methods of negotiation. Apart from this it is not at all proved that Works Councils are always necessary or, indeed, desirable. The Whitley Report said that a triple organization was necessary—in the workshops, the districts, and nationally, but the Government Blue Book on Works Committees points out that in some cases the strength of trade union organization makes Works’ Committees unnecessary for the purpose which calls them into existence in a number of industries. Clearly, therefore, it would be very difficult for legislation to draw so fine a distinction, and though we might say that we should like to see Works Committees universally adopted yet it is hardly possible for such an injunction to be based upon legislative compulsion. Moreover, the fact that in England the system is based upon the recognition of trade unions makes it impossible to legislate for Works Committees without at the same time making membership of a trade union compulsory, and that is a step which could not be claimed to be consistent with the general conception on the part of the public of the place of trade unions in the

organized State. Thus while we recognize the good of Works Committees and especially their necessity in cases where organization is weak on either side and where the spirit of co-operation has not been developed, yet it is clear that any attempt to bring in compulsory legislation would mean much more than the establishment of Works Committees. The warning in the Government Blue Book is worth quoting at this point : " The further charge has been made, in regard to one or two industries, that the employers were proposing, in the name of the Whitley Report, to form Works Committees without connection with the unions, and from these committees to build up District and National Councils, representative of employers and employed. It must, however, be emphasized that any such action is directly opposed to the proposals of the Whitley Report. These proposals look to the control of Works Committees by National or District Councils . . . " Thus we can safely reach the conclusion that legislation cannot begin with Works Committees. The tide has run much too swiftly against Government interference in private industry to permit the authoritative organization of such bodies for each industry.

Nor is it at all likely that legislation could begin at the other end and fashion a compulsory framework for Joint Industrial Councils, and this for the opposite reason. Whereas the authoritative establishment of Works Councils would lead to some suspicion of an attempt to undermine centralized trade unions by emphasizing the separate existence of control in single industries as distinguished from the central body, the authoritative establishment of Joint Industrial Councils on the national plane would be a recognition of trade unions as an actual part of industrial administration on the national scale in a way for which public opinion is not yet prepared. Public opinion may be said to be ready for the State encouragement of such councils, and even for something which goes beyond mere encouragement by a well-guarded partaking

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in the deliberations, but it would hardly go so far as to recognize the trade union as a legalized entity in national administration. Recent legislation seems to indicate rather the opposite tendency. Of its essence corporate bargaining regards the trade union organization as a suitable articulation for industrial representation, but it is "bargaining" after all, and to construct a body to function as controlling or directing the industrial relationship is to go farther than this. Compulsory "bargaining" seems to imply a contradiction in terms. It would be to regard the centralized organization of trade unions as being in some sense dominant by law over the whole organization, and to do this is precisely to accentuate the restlessness which the process of devolution characteristic of the Whitley system is directed to remedy. More than that, it is to be said that the Joint Industrial Councils are, at most, organizations which are to decide broad principles largely by inspiration from the whole country. The devolution to District and Works Councils is to provide that inspiration, and the National Joint Council of the future can only be truly effective if there is a free channel upwards for that inspiration. It is at this point that at present the weakness lies.

Experience in Germany has proved the same thing. There are those who criticize the German system on the ground that at the ends, the Works Councils and the Federal Economic Council, the system is too rigid and that the conception of District Councils is too vague. On the other hand there are those critics who urge that the Federal Economic Council should be given powers equal to Parliament and that it is unsatisfactory for so authoritative a body to be merely advisory. Both views point to a defect in association between the Works Councils and the Federal Council. If there were effective District Councils there would be hesitation in claiming greater powers for the Federal Council and the over-rigidity of the Works Councils would be modified. The prejudice

in France against National Joint Councils is based largely upon the fear that with such councils in operation sooner or later there will be a demand for power which may conflict with the power of the Central Parliament. In the United States there are neither District nor Federal Councils, and there seems to be no development in the direction of Federal organization, but there are definite claims that if Works Councils of any kind are to become effective there must be some correlation in districts. In England there is some movement in another direction. The idea is being pressed under the guise of an Industrial Cabinet, the salient difference being that the National Council proposed in 1919 would be a much larger body, corresponding probably to the Federal Economic Council of Germany with its 300 members, whereas the Industrial Cabinet would be much smaller and would consist only of about 20. What the sponsors of either suggestion have to face is the question of correlating such a body with the Political Parliament and the Political Cabinet. It is all very well to say that the functions of such a Cabinet or such an Industrial Parliament are distributed among various bodies, including Government departments and Industrial Courts and Joint Industrial Councils, but the answer is that they are all subordinate to the general will of the Elective Parliament.

Yet when all is said there does seem to be some unrest on the subject. Evidence accumulates that in all the experiments which have been made the District Council is the vulnerable point. That evidence comes from Germany, from the United States, from Italy and from France, and it comes in different guises. It is the very strength of the Federal Economic Council in Germany—the "paper" strength, some will say—which has brought to the front the desire for a well-established district system. It is the chaotic individualism of the American experiments which have led to a desire for some co-ordination. In France the district system is working well and the *Conseils*

*de Prud'hommes* succeeded well for many years, within their limitations. In Italy the real dispute surrounds the structure of the District Councils. In England the District Councils are in being, but they are criticized as being pale ghosts of the Joint Industrial Council, and many thinkers, approaching the question from different angles, are suggesting that the District Councils should become local administrative controlling bodies, if not over all industry, at any rate over cognate or allied industries. They would argue that in so far as devolution from the central legislative body to other bodies is a development which we are to expect it will be much less likely to produce friction if it is a devolution from the central body to a local body, and that with such a process of devolution there is less likelihood of misunderstanding than there would be with a centralized Industrial Parliament naturally eager to act independently of the Elective Parliament. Moreover, they would say that a District Council, including several industries in its organization, would be an excellent safeguard against the dangers of Joint Industrial Councils governing one industry. In some instances a greater claim is made for District Councils, and there is a parallel in Germany to this particular movement. It was mentioned a little time ago at a large meeting in London held to discuss certain ideals of management. The speaker urged the adoption of District Councils primarily inaugurated by Chambers of Commerce, having the general representation of employers as well as workpeople and so to provide for a local parliament of industry, which would include all the interests involved, not excluding the interest of the consumer. Here, of course, there is a difficulty, for it is by no means easy to represent the interest of the consumer. In the case of vertical trusts, for example, the producer at one stage is the consumer in his relation to the stage below. Yet there can be little doubt that such a council might have a wholesome influence. It is in respect of groups of separate managements rather than trusts that

there is the chief danger, for in the absence of competition there is less encouragement in these cases to efficiency, while the large industry is probably efficiently organized. Every Works Council in the district would be able to affect the deliberations of the District Council by presenting its own case. It would be definitely to the interest of the district as a whole to arrest any initial dispute, while the bearing of a dispute in one trade upon other trades would receive consideration at the earliest stage. But its prime value would lie in the fact that one of the dangers of Works Councils would be modified. Altogether apart from the criticism that Works Councils may become conspiracies of employers and workpeople against the consumer, there is a danger in the organization of Works Councils that they may think and act too independently of other industries and that the present organization through District and National Joint Councils does not offer sufficient safeguard. It is well that joint meetings at each stage should remove misunderstandings within the industry and that each side should be enlightened by the other side. But when this understanding becomes too close an understanding and becomes a positive welding together it is not without its perils. Indeed, a perfect organization of individual industries within the bounds of each industry may bring an incrustation which will make the members more or less indifferent to well-being in other industries. Here lies the strongest argument for some type of District Council which not yet has been fashioned for us. The organization of industry can only be partial unless it provides at some point or other for a general inclusion of a mutuality between industries, which will counteract the narrowing tendencies both of centralized trade unionism and of highly efficient Works Councils in individual industries. We need not underrate the difficulties. It may be possible to suggest to various industries in a certain region that they would gain from the establishment of District Councils where the representatives

of both sides of each industry could meet the representatives of the trades and commerce and local government of the neighbourhood, but there will be especial difficulty in suggesting to two industries dealing in the same product that they should meet and that, to some extent, they should reveal their secrets. If the proposal succeeded it is difficult to see how some serious modification of competition could be avoided, so that the net result might be the establishment of regional monopolies for each industry. Mill's words come back to us at this point: "They forget that wherever competition is not, monopoly is; and that monopoly, in all its forms, is the taxation of the industrious for the support of indolence, if not of plunder. They forget, too, that with the exception of competition among labourers, all other competition is for the benefit of the labourers, by cheapening the articles they consume." Possibly this is unnecessarily alarmist and, indeed, apart from District Committees it is hardly the case that stern competition is the factor we have been led to believe or that such a development as is here discussed would suddenly bring it, as a living principle, to an end. On the other hand, the District Committees might find it necessary and practicable in some cases to encourage competition, and they would have the power and the incentive to do so in those cases where competition seemed, on a cool examination of the evidence, to be of benefit.

In those cases where competition cannot be proved to be of benefit it is just as well that it should end, whether as a result of District Committees or otherwise, and it is salutary to remember that competition is not always beneficent. There have been cases of stupendous waste of raw material, of processes of manufacture and of human energy, in undirected competition in the past. When we come more closely to the discussion of detail it may appear that the railway scheme, which has been outlined in earlier pages, offers a trustworthy link between district and district. It is seemly that railways, as the living

nerves of physical intercommunication, should thus function. In a sense they have done pioneer work in the establishment of a triple organization on such a scale, with ramifications throughout the country. Some of the difficulties incidental to the establishment of District Committees for all industries may seem to come nearer solution if local conditions as regards transit and distribution can thus be brought within the purview of the District Committees. There is ground for hope, too, in the local committees which have been established by the National Alliance of Employers and Employed. These committees consist of representatives of employers and of trade unions and are in being (December, 1921) in thirty-six districts. Two members of the local committee are chosen to represent the district on the central body of the Alliance. The committees have dealt with unemployment, industrial education, local transport, trade boards, food prices, industrial training of ex-service men, local housing, land cultivation, arbitration in local disputes, factory inspection. Through their agency, schemes of education in economics and cognate subjects have been inaugurated under a Director of Economic Education.

We need not, therefore, postulate the need for legislation, but it is reasonably safe to say that if legislation is to enter at all it will enter at the stage of District Councils. It is also safe to say that if this is to happen the whole conception of District Councils will need to be developed. There are several aspects of this question which will call for consideration. The encouragement of a local sense of corporateness, of all industry will come first. That means to some extent the surrender of the idea of competition as the foundation feature of all industry. It is curious to how great an extent this idea has penetrated our minds, even after competition itself, in any active sense, has passed away. Industries are conducted, even if there is no actual rivalry between them, with an aloofness which is astonishing. There is a disinclination to discuss methods

of organization. There is a shrinking from mutual intimacy. It is worthy of notice, too, that this aloofness is even more marked in cases where one industry in a district has adopted some particular method of organization such as co-partnership or a liberal plan of staff consultation. It is as if such action brought about what is almost a reaction in the neighbouring industries. This striking characteristic of certain industries is most marked in the United States where the developments have been very varied, but it is also evident in England where there has been more uniformity and homogeneity in the development. It has been least evident in Germany where the State has gone farther in laying down an industrial structure than any other government has attempted; it has also been less evident in France, largely in consequence of the well-established *Conseils de Prud'hommes* which have exercised an influence extending far beyond the bounds for which they were created. Article II of the law of March, 1907, says that these councils are established "under the proposition of the Minister of Justice and of the Minister of Labour after consultation with the Chambers of Commerce and the ruling bodies of the arts and of municipal authorities." Any development of industrial organization worth the name must be evidenced in some sort of cohesion of varied industrial life in the districts, whereby both constructive effort and effective self-criticism may be possible. When we are looking for some possibility of delegation of Government administration from the centre there seems to be a prospect, or at least a possibility, of the delegation of such administration of industrial relations as would be quite consistent with county and municipal administration of general social life outside industry. The areas may not coincide with these areas, and in the Local Government Act of 1888 there is provision for joint action between neighbouring councils which might indicate the basis for a regional system more suited to industry. There is a safeguard in the Works Council

at one end of the scale ; there is a safeguard in the Joint Industrial Council at the other end. It may be that we are coming to another conception of Federal Government which will include as a parallel function to its ordinary parliamentary procedure some delegation of the direction of such industrial machinery as can be evolved, and that this will become some type of District Council, of which, as yet, we have only a shadowy conception.

We can almost foresee another Home Rule movement for the local control of industry. Certainly those who claim that it will come about by voluntary means may urge that necessity will again be the mother of invention, that it will be discovered sooner or later that some correlation is needed between Works Councils, that the Joint Industrial Council, while doing something to produce correlation between organized employers and organized workers, is unable to produce correlation between industry and industry and that the District Councils, as at present devised, are no more able to correlate industry with industry than the Joint Industrial Council. Those who hold this view can point to compulsory arbitration as a sort of warning, and they can say with justice that the English instinct against compulsory arbitration has been proved to be a sound instinct, and from this they can urge, with some cogency, that a compulsory scheme for the districts to include various aspects of industrial life in one body would equally be a violation of English fundamental conceptions. They may add that the very spirit of the particular development in England, that is the Whitley method, is based upon voluntary acceptance of the idea by both sides. To this it may be replied that the sort of District Council which seems to be needed for the correlation of various industries, or as we may say of the industrial whole in a district, calls for something more than an agreement between two sides already accustomed to meeting round a conciliation table or around council tables of various kinds. To bring together the representatives

of local commercial interests, of employers' associations, of trade unions, by means of persuasion only will be a task of another order, for unless it is done in exceedingly inclusive fashion it will have diminished authority. There is a local point of view in all industrial questions. Mr. John Murray's speech in London, to which reference has been made, states this point effectively: "Our industrial areas are full of agencies of sorts for the keeping of the peace, or, at all events, for dealing with various sides of business and industry. There are very genteel bodies called Chambers of Commerce; I have never had personal contact with them, I do not know what they do, but judging from outside I do not think they do much. They could do more. I have been inside Trade Councils. They talk. Whether they do more than that, I do not know, but I think they could be made to do more. And then we have Whitley Councils of all sorts, in every trade in the country, composed of employers and workpeople with particular knowledge of the conditions of that trade—well enough equipped to carry through a certain amount of pacification, but all of them one-sided, all of them narrow. We want in the industrial areas the setting up of a statutory body which shall gather up all these fragmentary agencies and powers into itself, so that, with the knowledge of all the industrial and business life of the community, it shall be there to be appealed to, to set a standard of behaviour, to maintain an atmosphere of good will within the limits of the area of which it is the authority. We have all these isolated agencies, all these individual men, all these philanthropic centres, and all these Whitley Councils, but no Whitley Council represents the community. No Chamber of Commerce does; no Trades Council does, and no Trade Union. We want something that will supersede the narrowness and the special interest of these bodies and build up the business life of the community into something vivid and decisive, something that was well rooted in the social sense, something that was inspired by good

social feeling, something that by being there in the midst of the community, appealed to in times of trouble, and empowered by Parliament to take action in times of trouble, and generally to shepherd and watch over the whole affair of industry."

For it cannot be doubted that as "each heart knows its own bitterness," each district knows its own industrial problems. It knows the local effects of unrest and discontent, and the dreaded contingencies which wait upon a dispute in any particular industry. There is a *sensus communis* yet to be cultivated, which might indeed be of great value in bringing to articulation deep thoughts and anxieties which lie strangely and sullenly hidden. It may be that some method of representation can be devised so generally acceptable as to win its own way into adoption, possibly with some modification in different districts; on the other hand, it may be that following the example of Trade Boards and of Industrial Councils for industries where organization is defective, it will be necessary for legislation or government administration to devise the framework.

Indeed, we seem to stand in respect of industry in a position curiously akin to that in which we stood forty years ago in respect of local government. Mr. Trevelyan in *British History in the Nineteenth Century* tells us that the characteristic unit of interest has changed vastly since 1760. "In the life of our day, the characteristic unit is the town, the factory or the trade union. Then it was the country village. Village life embraced the chief daily concerns of the majority of Englishmen. It was the principal nursery of the national character. The village was not then a moribund society, as in the nineteenth century; nor was it, as in our own day, a society hoping to revive by the backwash of life returning to it from the town. It contained no inspected school imparting a town-made view of life to successive generations of young rustics, preparing for migration to other scenes. City

civilization, with its newspapers and magazines, had not supplanted provincial speech and village tradition." Until local government was brought about in 1888 local life obtained scant recognition. County Councils, as then established, "substituted local representative institutions for the administration of rural affairs by nominated magistrates." All towns with over 50,000 inhabitants were turned into "county boroughs." There can be little doubt that this has wrought immense good. It has awakened interest, and it is significant that even in Ireland, where such institutions had to face a special prejudice, they were productive of beneficial results and disclosed unexpected administrative talent. There are movements for what we may call the dissemination of industry. The ready transfer of high power may yet work a revolution, and the village, as the centre of industry, may come into its own. Perhaps the county or the urban district may not be suitable areas for the devolution of national authority in the control of industry, but there is already a precedent for the delimitation of areas *ad rem*. The discussion of a possible "industrial region" to surround Doncaster, as its centre, for the purpose of securing the consideration of health and amenities in the laying-out of a new industrial area, may open the way to the recognition of new delimitations of areas for the purposes of District Industrial Councils. There is another aspect of the problem. We have seen in respect of Germany the difficulties which lie in the way of the administration of the Eight-hours-a-day Law. As time goes on there will be more and more labour legislation, and the task of fitting it in with local conditions will be increasingly difficult. It may be all to advantage if future labour legislation is of the permissive type, rather fluid in its indications, but calling upon local opinion to be definite and crystallized before effective law can be passed. For such a purpose District Industrial Councils would be needed. They would accept their powers not by devolution merely but by prescription and the authority

of Parliament and the judiciary would be left unimpaired, while there would be a wholesome reaction upon the moral sense of the local communities and a twofold healthy rivalry between community and community. It would be twofold, for it would be a rivalry in respect of economic success side by side with a rivalry in moral responsibility for the protection of the workers.

We may, perhaps, be content to leave the analysis at this point. An attempt to see behind the various movements throughout the world need not necessarily be over-positive as to results. Certainly it will be hesitant in prophecy. Those who have a vision of firmly amalgamated trade unions doing constant battle with firmly amalgamated employers' associations may be allowed to retain their somewhat sombre view of the future. Those, on the other hand, who have a vision of some constructive co-operation between the two great forces may be forgiven if they think—or at least if they hope—that such a co-operation will call for some organization of industry, and that this general organization is not conceivable on the national scale. Not only will such a general organization be limited by somewhat narrow geographical bounds, but it will be limited in its functions both by effective Works Councils at one end and by Joint Industrial Councils at the other end. Its authority, its value as a focusing point for varied industrial experiences in the district, its influence over public opinion will not be impaired by these limitations. Rather will it be the case that the limitations will throw its real scope of operations more definitely before the minds of men. At least that seems to be more than possible. The attempts to influence the public mind psychologically, by means of posters and pamphlets, will prove to be less finally effective than a publicly-recognized body before whom, for its mature deliberation, the facts have been laid. These are considerations which may well be taken into account apart from the question whether it is necessary to fashion by law a

constitution for such a body. A careful study of the position which such a body might hold, in relation to employers, in relation to workers, in relation to the general prosperity of a district as dependent upon its industries, in the relationship between industry and industry, might reveal some form or method which could be adopted voluntarily, leaving the way open for later legislation, after some success had been achieved. This work is still before the analytic student. It is not incomprehensible that it is in this direction that the minds of students in America, France, Germany, Italy, and England are turning. All that has been done—and much has been done—leaves the gap more patent. Industries are being organized internally, as we may say. Vertical trusts are doing something to organize them externally, but with the disadvantage of leaving the horizontal relationship as hard and as aloof as ever. Bold schemes of Cabinets of Industry and of Industrial Parliaments are put forward, and these may indicate either an aspiration in the direction we are indicating or they may indicate sheer despair with the present Parliamentary method. Trusts and combines and “understandings” and associations are established. These indications are of value to the student as suggesting a deduction which seems to be inevitable from the present tendencies in the organization of industry. In so far as they have progressed they reveal unmistakably the need for some closer co-ordination between industry and industry. What form that co-ordination will take is a question upon which it is permissible to differ, but the frank discussion of such differences will be of value just in so far as it is cautious, enlightened, and free from the influence of preconceived doctrines. It may be that it is on this very point that the polemic of the future will turn.



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